EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,694 Tuesday November 15 1988 D 8523 A

JAPAN AND 1992
Wary approach to the single market
Page 24

World News

Tamil Tigers gun down 28 Sinbalese in bus ambush

Twenty-eight Sinhalese were gunned down after the Tamil Tiger guerrillas held up a bus near Trincomalee, which stands between the Tamil north and ethnically mixed eastern province. Page 7

Secrets charge
Helmut Kolasch, a West German engineer who worked on the Tornado fighter and the four-nation Eurofighter project, was charged with handing over documents to East Germany and the Soviet Union.

Anti-semitic attack
Anti-semitic vandals smashed or uprooted 17 tombstones and smeared two others with Nazi swastikas at a Jewish cemetery in Bad Buchau, West Germany.

Canada poll tie
Conservatives and Liberals were in a dead heat a week before Canada's federal election, according to a Gallup poll which showed each had 35 per cent support. Page 4

TV imports probe
Cheap colour televisions from China and Hong Kong are being investigated for alleged under-pricing by the European Community. Page 10

Hawke to run again
Bob Hawke, the Australian Labor Party's first three-term Prime Minister, confirmed he intended to seek a fourth term. Page 7

Jenninger defended
West German Chancellor Helmut Kobl strongly defended the integrity of Philipp Jenninger, who quit as Bundestag speaker after an uproar over comments he made about the Nazis.

Gandhi tariff signal
Rajiv Gandhi, India's Prime Minister, gave a clear signal to Indian industrialists that they should prepare for further lowering of tariff barriers. Page 7

Marcos court order
US Snpreme Court ordered ousted Philippines President Ferdinand Marcos and his wife Imelda to obey subpoenas for foreign bank records.

Former PM dies
Takeo Miki, Japan's Prime Minister in the mid-1970s who tried to clean up politics after the Lockheed scandal, died aged 81. Page 7

Angola peace efforts
Efforts continued in Geneva to close the gap between Angola and South Africa over the terms for a withdrawal of Cuban troops from Angola. Page 4

Turkish jail protest
About 2,000 prisoners in Turkish jails protesting against alleged ill-treatment including torture and beatings are on hunger strike.

Med snowfalls
Freezing weather brought snow to parts of the eastern Mediterranean as the worst winter weather for decades swept across the region giving Jerusalem its coldest night for 68 years at 1°C (34°F).

National honour
Former astronaut John Glenn and undersea explorer Jacques Cousteau are among 15 recipients of $10,000 prizes awarded by National Geographic Society on its 100th anniversary.

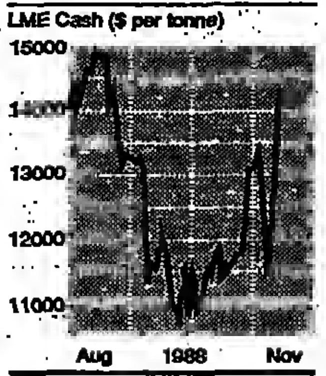
Business Summary

Dollar gains against yen, DM

DOLLAR'S slide was halted by a welter of supportive statements from US and Japanese officials, backed by central bank intervention. President-elect George Bush said he would continue President Reagan's economic policies, including commitment to a stable dollar. Despite speculation of a "Black Monday" the dollar gained nearly one yen against the D-Mark in London. Lex, Page 26; Markets, Page 41

NICKEL prices jumped as stocks in London Metal Exchange warehouses fell by

Nickel



450 tonnes to 1,308 tonnes just above the contract low of 1,302 tonnes of August 1982. Metal for nearby delivery rose $900 to $14,350 a tonne. Page 16

FRAMATOME, the French nuclear power plant manufacturer 40 per cent owned by the privatised Compagnie Générale d'Electricité is negotiating a joint venture agreement with Babcock and Wilcox of the US to expand its presence in North America. Page 27

MOUNTLEIGH chief executive John Duggan was sacked from control of the property group he was trying to restructure. Page 27

AACHENER und Münchener West Germany's fifth biggest insurance company, is to buy a 26 per cent stake in Volksfürsorge, one of Germany's biggest insurers. Page 27: background Page 30

GUINNESS, the brewing and spirits group, has been refused the chance to make a final appeal to the Law Lords against a decision by the City of London's Takeover Panel that the company broke the takeover code by its involvement in a concert party purchase of Distillers shares. Page 31

UNILEVER announced third quarter pre-tax profits of £410m ($230m), a 14 per cent increase. In line with most City of London forecasts, the Anglo-Dutch consumer goods and food group turned in a 7 per cent rise in sales to £4.49bn. Page 31

CHASE MANHATTAN, third largest bank in the US, is adjusting its European strategy in anticipation of the creation of the unified EC market to concentrate on wholesale banking services for major corporations and upmarket private banking for individuals. Page 28

K mart, the second largest retailer in the world, is expecting record sales and earnings this year after a strong performance in the first nine months due to lower shelf prices, more advertising, and merchandising. Page 28

HONEYWELL Bull, the computer manufacturer owned jointly by Groupe Bull of France, Honeywell of the US and NEC of Japan, yesterday announced a new mainframe computer family. Page 28

BARLOW RAND, the South African industrial and mining group, lifted its operating profit by almost half in the year to September and is confident of further growth this financial year. Page 29

Gorbachev says food supply must take top priority

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, dragged half the top ranks of the ruling Communist Party into the countryside yesterday for a public teach-in on the acute problem of food supply and the need for urgent agricultural reform.

Providing enough decent food in Soviet shops was now the most critical single issue facing the ruling party, he told them, in a new demonstration of the Soviet leadership's worry at a growing consumer backlash to economic reforms.

He sought to show that there was a positive way to transform the Soviet economy – by granting more power to local initiative and giving farm workers the right to lease their own land.

He took four other full members of the ruling 12-man Politburo, three of the eight candidate members, and a large number of party first secretaries from republics and regions around the Soviet Union, to discover how one rural area has managed to transform its agricultural production.

The extraordinary session took place in the town of Oryol, 225 miles south-west of Moscow, in a new effort by the Soviet leader to hammer home his message of the need for radical changes in agriculture, including a switch from huge collective farms to leasehold tenure for families and groups of farm workers.

Mr Gorbachev was back in his favourite public exercise, haranguing the crowds, but this time he exposed the rest of his normally sedentary fellow leaders to the sort of public brainstorming he has made a feature of his reform effort.

However, in stark contrast to his last public foray, when he faced sharp criticism over the lack of food supply in central Siberia, the crowds of Oryol told him they had all the meat and butter and bread they needed, according to last night's Soviet television broadcast.

The party leaders heard how more than 700 abandoned villages in the region were being repopulated with immigrants from other areas attracted by the chance of working their own land held on leasehold or working in labour brigades paid by their results.

They were told of one collective farm chairman – the ultimate rural bereaucrat – who had abandoned the collective to form his own family co-operative and declare that he had "never been happier."

Oryol is a livestock, cereal and vegetable-growing region which has managed to boost its meat production by 30 per cent over the past three years, and milk output by 17 per cent, according to Izvestia, the government newspaper.

"We came here specially because you have good results," Mr Gorbachev declared. The lessons of the region would be used to prepare next year's plenary meeting of the party central committee on farm reform.

He has made clear that the way forward is by a major shift from collective farming to leasehold tenure, to make farmers once more "master of tbeir land", and not mere "hired labourers."

Last week the central committee issued a formal plea to the whole farm sector, urging "extensive mastering of various forms of contract farming, lease relations and co-operatives (as) a shortcut to boosting farm production."

Law reform, Page 2

Thatcher: growth too strong

Thatcher stresses control of inflation

By Philip Stephens in London

MRS Margaret Thatcher, the British Prime Minister, yesterday delivered a confident assessment of the prospect of a "soft landing" for the UK economy and reaffirmed that the defeat of inflation remained her Government's priority.

Speaking before her visit to Washington later today, she also underlined her view that strong Western defences were a prerequisite for better East/West relations. She voiced confidence that Mr George Bush, the president-elect, would stick with the policies of President Reagan.

Mrs Thatcher, speaking at a banquet for the newly installed Lord Mayor of London, echoed recent comments by Mr Nigel Lawson, the Chancellor of the Exchequer, that the economy's performance in the past year had been, if anything, "a little too strong". Strong investment growth was welcome but too much consumption had been financed by too much borrowing.

Recent rises in Britain's base interest rates would, she said, discourage excessive borrowing and "in due course" would help to reduce the deficit on trade. She added: "We have taken action to make sure that inflation is kept firmly in check. Because the defeat of inflation remains our top priority".

Mrs Thatcher made no reference to the recent political row nver Mr Lawson's reported comments on Government plans for greater targetting of state benefits for the elderly. But the tone of her remarks on the economy were closely in line with those of the Chancellor.

Her message to the London

Continued on Page 26

Shamir asked to form next government

By Andrew Whitley in Jerusalem

MR Yitzbak Shamir, Israel's outgoing Prime Minister and leader of the right-wing Likud group, was nominated yesterday by President Chaim Herzog to form Israel's next government.

Mr Shamir was chosen after receiving the support of religious parties bolding the balance of power following this month's elections, but he immediately said he would aim to build a broad-based coalition, including the Labour Alignment.

Sucb a coalition, Mr Shamir's aides said, would provide a unified front to tbe outside world.

Mr Shamir now has the luxury of being able to dictate the sbape of the new government. He can either bring in Labour in a secondary role, or form a narrow coalition capable of commanding a parliamentary majority with its small religious and right-wing allies.

In either case the dream of Mr Shimon Peres, the Labour leader, of setting up an international peace conference as the way towards direct talks with Jordan and the Palestinians appears to have been consigned to the dustbin of failed Middle East peace plans.

Further negotiations lie ahead. Several Labour leaders want an equal partnership in any coalition and are reluctant to abandon their proposal for a Middle East peace conference.

A Labour faction led by Mr Yitzhak Rabin, Defence Minister, is campaigning to stay in office even in a junior role.

After a brief meeting with the 73-year-old Mr Shamir, President Herzog urged the formation of e government which would calm Israelis and foreign Jews who fear that Israel is on the verge of a new era of religious extremism and intolerance.

Preoccupied with their own hectic, late-night negotiations over the new government, scant attention is being paid in Israel to the parallel drama being played out in Algiers in the meeting halls of the Palestine National Council.

Editorials virtually ignore the potentially historic implications of the Palestine Liberation Organisation's deliberations. More attention, perhaps, would have been paid if the occupied territories had been riven with violent disturbances. But tbe exceptional precautions taken by the army over the past three days – including the cutting of telephone links, mass arrests and a curfew on the entire Gaza Strip – appear to have paid off.

PLO set for historic policy declaration

By Andrew Gowers in Algiers

THE Palestine Liberation Organisation (PLO) will today launch a new phase in its struggle for a bomeland by declaring independence and setting out a new political programme which implicitly recognises Israel's right to exist within secure borders.

Barring an unlikely last minute npset, the Palestinians' National Council (PNC) meeting in Algiers is due to proclaim the establishment of an independent Palestinian state with Jersualem as capital, thus endorsing for the first time a two-state solntion to the Arab-Israel conflict and renouncing the PLO's claim to all of what used to be British-ruled Palestine.

Simultaneonsly, the PNC, which Palestinians regard as their parliament in exile, will issue a policy statement.

PLO leaders hope this statement will open the way to an international peace conference on the Middle East by specifically endorsing United Nations Security Council Resolutions 242 and 338 and calling for guarantees of Palestinians' national and political rights. It will not, however, mentlon Israel by name.

Resolution 242 of 1967 calls for withdrawal of the Israeli armed forces from territories they occupied in the Six Day War, and requires "respect for and acknowledgment of the sovereignty, territorial integrity and political independence of every state in the area."

Resolution 338, passed six years later, requires immediate talks on a "just and durable peace in the Middle East."

Continued on Page 26

Bush faces pressure over savings and loans rescue

By Anatole Kaletsky in New York

THE POTENTIAL cost of rescuing the hundreds of insolvent institutions in the US savings and loan industry is growing at a rate of more than $15bn annually, the Federal Deposit Insurance Corporation said yesterday.

The FDIC estimate, which publicly confirms for the first time the enormous costs which the US Government has incurred by delaying a solution to the thrift crisis until after last week's elections, is bound to intensify the pressure on the incoming Bush Administration to put the embarrassing and costly S&L issue at the top of next year's political agenda.

Private analysts had guessed that the cost of S&L insolvencies was probably growing at $500m to $1bn a month, suggesting a bill of only $6bn to $12bn for the past year of political procrastination.

The FDIC figures, which were not intended for publication but leaked in Washington, were confirmed yesterday by the corporation.

They highlight an increasingly bitter political dispute between the US commercial banking industry and the S&Ls. The FDIC is the government agency responsible for insuring commercial bank deposits and has no legal jurisdiction over S&Ls. These are regulated by the Federal Home Loan Bank Board and insured by its subsidiary, the already-insolvent Federal Savings and Loan Insurance Corporation.

The FDIC's decision to step beyond its own regulatory turf in the banking industry was motivated in part by the growing fears in the banking industry that Congress would try to divert the money in the FDIC's $16bn bank deposit insurance fund into a bail-out of the S&L industry.

The FDIC's estimate of the thrift industry's rescue costs was based on an analysis of public documents filed with the FHLBB by thrift institution at the end of the second quarter of 1988.

At that point the FDIC estimated that the 500-odd insolvent thrifts had aggregate losses of $68.9bn. This was $49.4bn higher than the corresponding figure for the end of 1985 and suggested that the industry's degree of insolvency was growing at a rate of $15bn annually, the FDIC study concluded. The corporation's officials also noted that the aggregate losses had almost certainly continued to grow at an accelerating rate since the second quarter figures used in the review.

The FDIC's assessment of the total costs of S&L rescues was also considerably higher than the FHLBB's latest estimate of $45bn to $50bn.

Outside observers suggested that the higher FDIC figure was attributable to the banking agency's tighter asset valuation standards.

Commodity nations to press for compromise at Gatt talks

By Chris Sherwell in Sydney

THE CAIRNS group of 13 commodity producing nations, disheartened by the lack of progress in the Uruguay Round of trade talks, has embarked on a co-ordinated strategy to press the big trading countries to compromise at next month's key mid-term review in Montreal of the General Agreement on Tarifs and Trade (Gatt).

After a weekend ministerial meeting in Budapest, the members of the group aim to step up their lobbying of the European Community, the US and Japan with their own detailed proposals, which were first put forward as a basis for talks in July.

Mr Michael Duffy, Australia's trade negotiations minister, who made some especially pessimistic comments in Budapest, arrives in London today for talks with senior members of the British Cabinet.

The South-East Asian members of the group – Thailand, Malaysia, Indonesia and the Philippines – are expected to press Japan to reach a compromise.

The Latin American countries – Brazil, Argentina, Uruguay, Colombia and Chile – are thonght likely to push Washington to arrive at an agreement.

The group, formed two years ago in the Queensland coastal town of Cairns, is made np of fair-trading commodity producing countries which desperately want to see the reform and liberalisation of world agricultural trade.

Ideally the group would like a commitment at Montreal to a freeze in the level of trade-distorting financial support for agriculture and a rednction over the next two years of 10 per cent in aggregate output-based farm support.

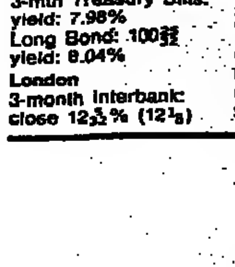
It is also seeking agreement on a framework of talks for the remaining two years of the Uruguay Round, to negotiate progressive cuts and the eventual elimination of agricultural support.

Mr Duffy told the Budapest meeting that the positions of the US and the EC were "still poles apart", and warned that, if there was no satisfactory compromise at Montreal "then the entire Gatt Round will be soured".

This view was echoed in the group'e communiqué, which said the "inflexibility displayed by the US and EC posed a serious threat to achieving a successful outcome" in the Montreal review and even tbe whole Round.

MARKETS

France



INTEREST RATES
US lunchtime
Federal Funds 8½%
3-mth Treasury Bills: yield: 7.98%
Long Bond: 100¾
yield: 8.04%
London
3-month interbank: close 12⅛% (12⅛)

STERLING
New York close
$1.8090 (1.8105)
London:
$1.8085 (1.8155)
DM3.1550 (3.1475)
FFr10.7775 (10.76)
SFr2.6475 (2.6425)
Y223.25 (222.75)

DOLLAR
New York close
DM1.74675 (1.7375)
FFr5.9610 (5.9275)
SFr1.46625 (1.456)
Y123.775 (122.85)
London:
DM1.7445 (1.734)
FFr5.9600 (5.9275)
SFr1.4645 (1.455)
Y123.40 (122.65)

GOLD
New York latest $13.10 (+.025) (Dec)
Comex Dec $426.7 (426.6)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,065.08 (-1.95)
S&P Comp
267.72 (-.20)
London:
FT-SE 100
1,794.3 (-8.4)
World:
135.36 (Fri)
Tokyo
Nikkei Ave
28,520.90 (+31.33)
Frankfurt
Commerzbank
1,5881.1 (-0.1)

OIL
Brent 15-day (Argus)
West Tex Crude
$14.235 (+.12) (Dec)

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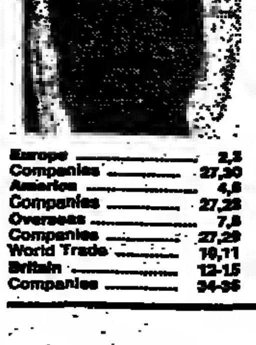
Saudi Arabia weathers the storm of Iranian wrath



Saudi Arabia, its stability apparently unimpaired by the Gulf war, is taking the lead appropriate to its size and wealth with King Fahd striking a more balanced relationship between the Gulf states and Iran
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Brussels go-ahead soon for VW link with Wagons-Lit

By William Dawkins in Brussels

A MERGER between the car rental businesses of Wagons-Lit, the Franco-Belgian travel and leisure group, and Volkswagen, the West German carmaker, is expected to get clearance shortly from European Commission competition authorities.

The companies announced the deal last March, but subseqnently applied for Brussels' go-ahead to avoid the risk of any surprise interventions in what is now the largest European-owned car rental group. A growing number of merger partners are understood to be seeking clearance from the Commission, which is pushing aggressively to extend its anti-trust powers.

Commission officials expressed surprise at suggestions that the companies sought backing from Brussels on the grounds that they thought the French Government had resarvations about the deal.

The merger brings together Wagons-Lit's Europcar subsidiary, which has 33,000 vehicles at its disposal, with Volkswagen's InterRent offshoot, with 30,000 cars. The Commission argues that the deal will not distort competition because the EC car rental market is fragmented. The new group will still be smaller than US-owned Hertz and Avis Europe. The merger "will help to improve the two companies' competitive capacity in a growing and international service industry, and will moreover reinforce competition to the benefit of EC consumers," says Brussels' draft decision.

Cyprus looks to join next batch of EC entrants

By David Buchan in Brussels

CYPRUS WANTS to join the European Community as part of the next batch of new entrants that is likely to be led by Austria and may include Malta, President George Vassiliou said yesterday.

"We want to be part of the enlarged Community," Mr Vassiliou said, going on to suggest that his country was "ready at any time" to discuss common negotiating tactics with Austria and Malta, the two other countries considered most likely to be the next applicants for EC membership.

The Cypriot strategy seems to be to wait for Austria to move and then follow in its political slipstream, rather as Denmark and Ireland did with the UK in 1973.

But Mr Vassiliou recognised that Cyprus' entry was depended crucially on the Community. The latter, he said, had made clear it did not want any new members before it completed its planned single market programme by the end of 1992, though this did not necessarily preclude entry negotiations starting.

As Mr Claude Cheysson, the EC's Mediterranean policy commissioner, pointed out yesterday at a joint news conference, Cyprus was, in terms of relations with the EC, ahead of the European Free Trade Association countries.

In October 1987 Cyprus and the EC committed themselves to phasing in over 15 years not just free trade, but a full customs union sharing a common external tariff towards third countries. Mr Vassiliou said Cyprus would also be copying the EC soon in basing indirect taxation on value added taxes.

The Cypriot President said he still had "substantial differences of opinion" with Mr Rauf Denktash, the Turkish Cypriot leader, in the latest round of inter-communal talks. He rejected the idea that Cypriot entry into the EC might depend on improved relations between Turkey and Greece.

However, a political settlement in Cyprus is, in Greek eyes, a precondition to any approval of the EC entry application which Turkey made in April 1987

Soviet law reform falls behind schedule

By Quentin Peel in Moscow

SWEEPING PLANS for the overhaul of the Soviet legal system, including both the penal code and the law courts, are being held up by big difficulties in the drafting process, top legal officials in Moscow revealed yesterday.

Mr Alexander Sukharev, the Soviet Procurator-General, said some bills had to be "very seriously revised and require redrafting and a second round of discussions", in the clearest indication to date of the stormy political debate underlying the legal reform process.

The bills under discussion include not only a new penal code and judicial reform in an effort to ensure an independent judiciary, but also new legislation on youth, on devolution of power to local authorities, on the press and on religious rights.

All were promised by the Extraordinary 19th Communist Party conference in June, and supposed to be submitted by the end of the year. The judicial reform and penal code were expected to be ready for the session of the Supreme Soviet later this month.

Mr Sukharev said it was impossible to give a precise timatable for the reforms, because of the drafting negotiations.

The irony is thet the Soviet authorities are facing criticism on two fronts: they are accused of giving too little time to debate constitutional changes in the electoral system, and to create an executive presidency, which are supposed to be approved at the end of the month. But they are also accused of dragging their feet in putting forward the other legal reforms.

Mr Sukharev revealed that the membership of some of the legal drafting committees had been changed in the course of negotiations – although he did not reveal which. One of the bills known to have been sent back for redrafting is that on the press, criticised by reformers as much too restrictive.

He said that all the legal reforms should become law at least by next autumn.

Reformist tide laps feet of Prague leaders

Leslie Colitt, recently in Czechoslovakia, on mounting pressures for change there

MR ALEXANDER DUBCEK, the former reformist leader of Czechoslovakia, threw his full support behind Mr Mikhail Gorbachev's economic and political reforms during an emotional visit to Italy at the weekend.

Bnt the Soviet leader is unlikely to reciprocate by espousing the cause of reforms in Mr Dnbcek's homeland. Indeed, Mr Gorbachev recently gave the anti-reform leadership in Prague a new lease of life.

He implicitly endorsed last month's reshuffle of the Czechoslovak leadership which led to the ousting of Mr Lubomir Strougal, the reform-minded Prime Minister. At the same time Mr Jan Fojtik, the hard-line ideological Central Committee secretary, emerged strengthened. The party's presidium was packed with younger conservatives.

Czechoslovaks who had hoped Mr Gorbachev would push Mr Milos Jakes, the party leader, towards reforms, were deeply disappointed. But Mr Gorbachev, who is immersed in problems at home, has no desire to re-open the Pandora's box of Czechoslovak reforms. He made this very clear during a visit to the country in May.

Nevertheless, Prague'a orthodox leadership faces what may be its most serious challenge since coming to power nearly 20 years ago in the aftermath of the Prague Spring.

Two decades of near total passivity ended last August 21 in mass protest demonstrations by thousands of young people in Prague. They flared again on October 28, National Day, hut this time the protests were quickly put down by riot police under a tough, nawly appointed Interior Minister.

Yet the tiny but active opposition in Czechoslovakia senses an important shift in the public mood.

"For 20 years everyone knew that if we did something the Rnssians would come. This barrier of fear is slowly beginning to crumble," Ms Anna Shabatova, a co-founder of the Charter 77 human rights group said. The young people who demonstrated had no memory of the invasion and took to the streets spontaneously. "They had had enough of lies."

Cardinal Frantisek Tomasek, the outspoken 89-year-old Czechoslovak primate, expressed open admiration for tha young protesters who showed "greater courage" than their elders.

"It is a new phenomenon and we have renewed hope," he remarked at the archbishop's palace. It stands symbolically in the shadow of Prague Castle where President Gustav Husak resides. Cardinal Tomasek said another positive sign was the endorsement by more than 600,000 Czechoslovak Catholics of a petition to Mr Husak, demanding an end to religious persecution.

Unquestionably, the growing unrest is being fuelled by resentment about shortages of consumer goods and creeping inflation. Mr Miroslav Pavel, the government spokesman, acknowledged that supplies of durable goods had worsened and that a "certain nervousness" existed about next year's planned price rises.

In order to plug the gap in domestic supplies, the Government is expected to increase imports of consumer goods from the West. But while this may quell dissatisfaction temporarily it cannot solve the underlying problems.

Mr Karel Dyba, an economist with the Czechoslovak Academy of Sciences, said one of the main problems was that Czechoslovakia continued to invest heavily in production of heavy machinery. Spending rose 11 per cent this year although the Soviet Union, the main market, is cancelling machinery orders as a result of its reforms. In most cases the special purpose machinery arrives in Czechoslovak warehouses as unsold stock.

Equally serious, Mr Dyba pointed out, was Czechoslovakia's growing deficit in its non-Communist trade which amounted to $120m in the first three quarters of this year. He cautioned against using Western credits to keep Czechoslovak heavy industry "running and employing people" to produce unwanted machinery.

Mr Dyba said the "dismal" 2 per cent nominal growth in output this year as well as growing indebtedness and consumer goods shortages resulted from past failure to reform.

The economic changes introduced experimentally over the past year give little reason for optimism. The 440 self-financing companies do not include any of the giant companies that have been making losses. However, company directors are now able to decide whether a certain share of output can be sold to the West. Managers can also retain some more money for investments and have an account which theoretically entitles the company to a portion of its hard currency receipts.

All indications are that the party will procede very cautiously with economic reforms while keeping the brake on political reforms, at least until the next party congress which Mr Jakes has moved forward to 1990.

But the key problem remains that a rapidly deteriorating economy and growing public impatience may force changes on the party whether or not the leadership wants them.

Mr Alexander Dubcek (right) denied yesterday that at the last moment he had censored criticism of the Czechoslovak leadership from his speech at Sunday's honorary degree ceremony at the University of Bologna, writes John Wyles.

The "Prague spring" leader said he had had to shorten his prepared remarks in view of the time available for the ceremony which was broadcast live by Italian television. He read only about four pages of a 12-page address, omitting a statement blaming the Prague regime for economic stagnation and loss of morale in his country.

Earlier last week, the former Czech politician had expressed public fears about being prevented from returning to his home in Bratislava. But if time, rather than cantion was the basic constraint, then the Italian authorities will be heavily criticised for allowing the University'e rector, Mr Fabio Roversi Monaco, and the president of the Rai television network, Mr Enrico Manca, to make inordinately long speeches which crowded out the contribution which everyone had wanted to hear.

Kosovo leaders expected to quit as pressure mounts

By Judy Dempsey in Belgrade

THE increasingly beleaguered party leadership in Yugoslavia's province of Kosovo is expected to resign later this week following renewed pressure from the Republic of Serbia.

The leadership, headed by Mrs Kacusa Jasari, is due to discuss today which leading members of the provincial committee are responsible for the ethnic tensions in the region. If Mrs Jasari – along with Mr Azim Vlasi, a former party leader of Kosovo – resign, it will almost certainly represent a victory for Mr Slobodan Milosevic, Serbia's powerful and populist leader.

Mr Milosevic, along with Serbian nationalists, regard top officials in Kosovo as responsible for the continuing emigration from the region of the Serb and Montenegrin minorities, who, they claim, are being intimidated by the largely ethnic Albanian population.

During last month's important central committee meeting of the Federal Party, Mr Milosevic failed to topple the leadership in Kosovo, which is constitutionally linked to Serbia.

He was also unable to purge the Federal Politburo after several republics united in preventing Mr Milosevic, and ultimately Serbia, from gaining political dominance in the Federal party.

One of Mr Milosevic's supporters, Mr Dusan Ckrebic, eventually lost a crucial vote of confidence from the central committee to remain on the Politburo.

That meeting represented a temporary setback for Mr Milosevic who still believes the present Federal leadership is responsible for the serious economic and social problems facing the country.

Licking its wounds from the embarrassing defeat, Serbia has since continued to focus on Kosovo, and particularly on demanding the resignation of Mrs Jasari and Mr Vlasi.

Mrs Jasari, half-Montenegrin and half-Albanian, so far has resisted these attacks, relying on support from the Kosovo party.

But it now seems the pressures from Serbia and pro-Serbian factions within Kosovo make her resignation seem inevitable.

If she resigns, Mr Husamedin Azemi, head of the party in Pristina, Kosovo's provincial capital, will take over.

Mr Azemi, who studied with Mr Milosevic, has apparently won the confidence of the Serbian party.

Unlike previous demonstrations which were run by the Committee for the Defence of Kosovo Serbs and Montenegrins, a fiercely pro-Serbian nationalist movement, this one is organised by the Serbian branch of the pro-party Socialist Alliance of Working People.

If Mrs Jasari resists that pressure, it is still likely a plenum of the Serbian party – which starts next Monday – will renew calls for her resignation.

EUROPEAN NEWS

Banker's disappearance puts Greek Government under the spotlight

Andriana Ierodiaconou picks her way through the maze of a banking and political scandal that reads like the plot of a thriller

THIS is the incredible tale of the rise and fall of a Greek tycoon: introducing Mr George Koskotas, 34, banker, press baron and protagonist of one of the gravest economic and political scandals in Greece's history.

Before a bewildered Greek public, that scandal so far has prompted the resignation of two Socialist Government Ministers and generated a unanimous call by the opposition parties for the Government's resignation and the holding of early general elections.

When Mr Koskotas vanished into thin air on the weekend of November 5 from under the noses of an élite security force assigned to keep him under surveillance, he stood charged with embezzlement, tha use of illegal or forged documents in foreign currency transactions, and libel.

The full account of his activities, however, may never be known. It appears to lie hidden in a maze of fictitious or secret bank accounts, opaque business dealings and twilight political relationships which, in the words of a senior Bank of Greece official, "would make a good plot for a thriller."

The Bank of Greece is the only entity that could lay any claim to the title of hero in that thriller. The bank has now publicly charged the Government with obstructing the investigation into Mr Koskotas' affairs and it has become clear that, if Mr Dimitris Chalikias, the Bank's Governor, and Mr Stathis Papageorgiou, his deputy, had not acted as amateur sleuths, that investigation might not have got off the ground.

What is known about Mr Koskotas is extraordinary enough in itself. The son of a working class family which emigrated to the US, where his father set up a house-painting and renovating business, Mr Koskotas returned to Greece at the age of 25 in 1979 and became an employee of the Bank of Crete, a small private Greek bank. He began to emerge into the limelight in 1982 when he set up the publishing firm Grammi and began to issue the weekly photo-magazine Ena.

Two years later Mr Koskotas first attracted the attention of the Bank of Greece when he acquired majority share control of the Bank of Crete.

From then on his rise was meteoric. Grammi mushroomed into six magazines, three daily newspapers and a commercial radio station, meanwhile transferring its original modest downtown Athens headquarters to a multi-million-dollar installation sited north of the capital.

The Bank of Crete likewise increased its presence from 30 to over 60 branches around Greece. Offering depositors interest rates one to two percentage points higher than its competitors, it moved to the position of second largest Greek private bank, covering about two per cent of the market.

The bank was helped in this by huge deposits from public-sector organisations which, according to the Bank of Greece, "cannot be wholly justified by the higher interest offered".

Mr Koskotas also entered the realm of sport with the acquisition of the highly popular Pireaus-based Olympiakos football team. Mr Koskotas himself set the total value of his investments at $100m, which he claimed to have transferred to Greece from abroad. According to the Bank of Greece, however, Mr Koskotas was in fact largely financing his activities with Bank of Crete funds channelled through his personal account.

Koskotas: November flight

The most upwardly mobile of Greeks soon became one of the most politically influential. Mr Koskotas' social functions featured more cabinet ministers than many an allied embassy reception. The visible source of his influence lay in Grammi which, at a time when the Goverment's relations with the rest of the press were deteriorating, gave the Socialists valuable backing.

Mr Koskotas also made important inroads into the right-wing press. Mrs Helen Vlachou, the *grande dame* of the Greek publishing world, was persuaded to sell her prestigious conservative daily Kathimerini to the young entrepreneur and a second leading conservative daily, Vradyni, was subsequently added to Grammi's arsenal.

The first sign that the emperor might be wearing no clothes came in October 1987, when a security check in the US of a group of businessmen invited to the White House, Mr Koskotas among them, revealed that he was wanted in that country for tax fraud. After an unsuccessful attempt to leave the US by declaring his confiscated passport lost to the Greek consular authorities, Mr Koskotas was finally allowed to return to Greece on payment of $1m in bail.

It also emerged that the young banker, who claimed to be a PhD, had been convicted and fined in the US in 1974 for forging letters of qualification from American colleges. Although the tax fraud case was later dismissed due to insufficient evidence, the die was cast in the eyes of the Bank of Greece.

Incredibly, back in Greece Mr Koskotas remained in place at the Bank of Crete. Behind the scenes Bank of Greece *recommendations that* he be asked to step down pending an investigation fell, sources say, on deaf government ears. A January 1988 Bank of Greece proposal for the introduction of tight rules in the acquisition of private banks, aimed directly at the Koskotas case, similarly failed to make headway.

When the axe finally fell almost a year later it was wielded by a group of rival newspaper publishers who sought to neutralise Mr Koskotas by calling on the Government to look into his financial affairs. Under pressure from the publishers' lobby a Bank of Greece investigation was ordered by the Economy Ministry last June.

The thriller then gained momentum. Only days after the investigation was launched it was revealed that the Government was poised to approve 42.5 per cent Bank of Crete participation in a proposed development corporation for the Aegean region. These plans were withdrawn after a general outcry. Meanwhile the investigation became bogged down in a law on the confidentiality of bank deposits, invoked by Mr Koskotas to deny the Bank of Greece access to his personal account at the Bank of Crete, the suspected conduit of various irregularities.

It took the Government over three months to produce what proved to be a half-hearted amendment to the law. By that time, frustrated Bank of Greece officials had given up trying to get at Bank of Crete liabilities and turned to examine the assets.

Finally, on October 18, the Bank of Greece hit pay dirt in the form of an official confirmation that a document provided by Mr Koskotas showing an approximately $13m Bank of Crete foreign currency account with a major international investment bank was forged. Faced with this piece of evidence, the Government finally acceded to the appointment of a Bank of Greece commissioner to manage the Bank of Crete and conduct a full audit, scheduled to be completed by November 20. According to Mr Chalikias the audit is expected to show that the bank is approximately Drachmas 20bn ($136m) in the red.

At the end of the day, unanswered questions on the Government's *role in the Koskotas* affair abound, reinforced by the beleaguered tycoon's mysterious disappearance. The Government's disclosure that Mr Koskotas sought to block the legal process with a forged document purporting to show the payment of millions of dollars in bribes into bank accounts abroad in the names of senior Socialist officials, including Mr George Papandreou, the Prime Minister's son and Education Minister, has scarcely comforted public opinion.

Even if the Government holds out to the end of its term next June, in the next general elections the tale of the rise and fall of a Greek tycoon could prove the tale of the rise and fall of the Greek Socialist Government.

Combative Haughey steps back into the political ring

By Kieran Cooke in Dublin

LOOKING PALE and rather thin but none the less in fighting mood, Mr Charles Haughey, Ireland's Prime Minister, returned to the political stage yesterday.

Mr Haughey has been seriously ill for a month with kidney and respiratory problems, and his first public engagement in weeks was therefore akin to Napoleon's return to Paris. Most of the cabinet were there to sing "Arise and Follow Charlie" as Mr Haughey arrived for a local meeting of the ruling Fianna Fail party. Some even broke into the soccer supporters' chant "Here we go, here we go."

While admitting he had been "fairly ill," Mr Haughey denied he had thought of stepping down from office or had been advised to do so.

The Prime Minister was obviously frustrated by the increasingly forthright attacks being made by the opposition on his Government, particularly over allegations that he was trying to gerrymander constituency boundaries and that his party had misallocated national lottery funds.

Mr Haughey said he did not want an election but would call one if it became necessary. "If things become impossible in the Dail (Parliament) and the Government cannot carry out its normal parliamentary duties, something will have to give way," he said. The Government would not be put off its policies of economic reform.

Mr Haughey's first parliamentary engagement is likely to be tomorrow when he is due to announce Ireland's long-delayed appointment of its new European Commissioner. Mr Ray MacSharry, Ireland's Minister for Finance, is heavily tipped to go to Brussels to replace Mr Peter Sutherland.

Portugal's Communists demote leading reformer

PORTUGAL'S Communist party, one of the most Stalinist in Western Europe, has expelled a leading reformist from its central committee, rejecting her invocation of Mr *Mikhail Gorbachev's ideas as* distorted and insidious, Reuter reports from Lisbon.

"Zita Seabra's conduct, in choosing the path of defiance, is incompatible with her post as member of the central committee," said a statement.

"She has presented herself as a victim of political persecution, constantly invoking perestroika (restructuring) in a systematically distorted and insidious way."

Ms Seabra, who remains a member of the party, was defiant. She told reporters: "These repressive methods seriously harm the party and show fear of reality, fear of change, fear of internal debate and fear of new leadership."

Portuguese bank forms Spanish link

By Diana Smith in Lisbon

THE SMALL, specialised Banco de Comercio e Industria (BCI), has become the first Portuguese commercial bank to form an international partnership. Shareholders have accepted a proposal by Spain's Banco de Santander to acquire 10 per cent of BCI's equity.

Santander, one of Spain's seven big bank groups, acquired a European network by buying into the Royal Bank of Scotland and Milan's Istituto Bancario: its deal with BCI will plug the Portuguese bank into this network and greatly expand its scope.

"Associating with Banco de Santander was the only way to go," Mr Francisco Veloso, BCI's chairman, said yesterday. Going international now was the best strategy for 1992 and the European single market, he said.

BCI, which is only two years old, focuses on private banking and on service to medium-sized Portuguese companies preparing themselves for 1992 – a lucrative segment of the market. It has assets of Es58bn (221m) and capital of Es5bn.

The bank made an net profit of Es1.2bn in September. Mr Veloso boasts unashamedly of one of Portugal's highest rates of productivity per employee, thanks to exceptionally-heavy automation. This makes BCI very compatible with Banco de Santander, Spain's most computer-minded bank.

Santander has won the race *by Spanish banks for a Portu*guese banking outlet. Its rivals Banco Central, Banco Exterior, Banco Hispano-Americano and Banco Bilbao-Vizcaya have tried for years to obtain branches in Portugal but officials here have resisted *licensing high-powered,* competitive Spaniards.

Central and Exterior have been stuck for eight years in the queue for licences, but Hispano-Americano and Bilbao-Vizcaya partly dodged the problem by setting up invest*ment firms without abandon*ing hope for full banks one day.

The link with Santander will mean an increase in capital to Es10bn. BCI's shareholders have agreed to a "one share for each two held" rights issue and purchase by Banco de Santander of 1m shares with a seat on the BCI board.

Portugal's EC membership has begun to attract big international investors: hot on the heels of the BCI-Santander deal comes the setting up on November 16 of an industrial holding company in which the Italian entrepreneur Mr Carlo de Benedetti's interests will control 55 per cent. The expanding Portuguese Amorim group will hold 30 per cent and CISF (Companhia de Investimento e Servicos Financeiros), a major financial services firm will hold 5 per cent.

The Kuwait Investment Office is also pursuing a controlling share in the Algarve's huge Vilamoura resort complex, and training its sights on pulp, paper and banks.

EC plans company to promote high-definition TV

By William Dawkins in Brussels

THE European Commission wants to set up an *EC* company to promote the development of high-definition television as part of its battle to gain international acceptance of its own standards for the future generation of HDTV.

The European Company for the Research and Promotion of HDTV would be set up next July with an Ecu45m (£30m) budget, to run studios and demonstrations. The Commission would be a minority partner and encourage electronics and broadcasting companies and government bodies to join.

The Commission is due in the next few days to adopt as official policy a four-point plan for promoting HDTV production standards prepared by a consortium of 30 top European electronic companies, against stiff competition from Japanese alternatives.

It estimates the world market for all kinds of television sets will be worth $100bn by 1991, when Japanese companies expect their own market for HDTV, which will offer ultra-high quality pictures and sound, to start to take off.

Rivalry between the promoters' European and Japanese HDTV standards is intense. The US Federal Communications Commission, which is seen as holding the key to the outcome, has not yet decided which to support or whether to put forward its own. The final arbiter is the Consultative Committee for International Radio Telecommunications (CCIR), the main world broadcasting standards authority, which is due to decide by the end of 1990 which HDTV system should prevail.

The Commission plan, which will be put to EC governments for approval, aims to ensure that the draft European standard sent to the CCIR is treated on an equal footing with the Japanese rival. The two are incompatible. The proposed Japanese HDTV transmissions cannot be received on conventional sets, while the European versions, developed under the Eureka pan-European technology programme, could be.

Accordingly, Brussels wants to put pressure on the CCIR to stick to its own regulations that new broadcasting systems should be easily convertible – a provision which Commission officials claim the Japanese have ignored.

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Voters set to rebuff Brazil's rulers

By Ivo Dawnay in Rio de Janeiro

MORE THAN 60m Brazilians go to the polls today in municipal elections expected to give a sharp rebuff to the country's dominant party, the Brazilian Democratic Movemeot (PMDB).

The party, which only two years ago won all but one of Brazil's 23 state governorships, is forecast to lose in all three main urban centres, São Paulo, Belo Horizonte and Rio de Janeiro, alongside many other big provincial cities.

Polls in around 4,400 towns, involving an estimated 1.2m candidates for mayoral and councillors' seats, are set to prove the first big test of the public mood since coogressional elections in November 1986.

They also signal the start of the 12-month race for the presidency itself.

Opinion surveys appear to agree that mucb of the public intends to punisb the Government for a deteriorating economic outlook, now provoking record inflation of over 27 per cent a month.

Mr Ulysses Guimarães, the PMDB president, wbo for almost two years nursed Brazil's new constitution through Congress, is now attempting to project the party as a force for change.

The veteran leader is hampered, however, by years of horse-trading with opponents and collaboration with the Sarney administration.

Commercial banks yesterday made a $4bn payment to Brazil, the first under a recently completed $82bn (£46bn) financing package which includes a total of $5.2bn in new loans. Earlier this month, Brazil made an interest payment which brought it current on interest to banks for the first time since February 1987.

As labour unrest surges through Brazil's vast public sector, it is the left-wing parties that look set to gain most from today's polls. The Democratic Workers (PDT), led by former Rio governor Leonel Brizola, looks certain to take Rio, Coritiba and possibly even President José Sarney's home town of São Luiz, capital of the northern state of Maranhão.

In São Paulo, by far the wealthiest prize, witb 11m inhabitants, Mr Paulo Maluf of the right-wing Social Democratic Party (PDS) faces an unexpectedly strong challenge from the PDT, which sprang from Brazil's union movement.

But in many towns the outcome will reveal only the relative popularity of individual politicians.

Pundits believe the elections, which involve obligatory voting, will above all underline a deep-seated disillusionment with politicians as a whole.

Thatcher takes stock of Bush as his own man

Peter Riddell reports that Britain should not assume the continuance of the special relationship

MRS Margaret Thatcher's two-day visit to Washington is intended to renew what she has called "the enduring alliance with the US which is fundamental to our beliefs and objectives".

For her hosts, President Ronald Reagan and President-elect Bush, it will be a chance to express public thanks to the most loyal supporter of the US in Europe. But for them it will also be only one of a series of meetings with alliance leaders, having been preceded by talks today with Chancellor Helmut Kohl of West Germany.

The importance of Mrs Thatcher's visit (she arrives tonight) depends on the viewpoint. Amid all the undoubtedly genuine expressions of mutual esteem at the White House tomorrow it will be tempting, though mistaken, for the British to see the election of Mr George Bush as business as usual, continuing the close relations which Mrs Thatcher has enjoyed with President Reagan.

The President-elect and the Prime Minister certainly know each other well – Mr Bush has frequently met Mrs Thatcher as he passed through London. He even highlighted the relationship in his campaign speeches and films – once joking that she would make a good running mate.

Yet Mr Bush is now a different person from the loyal deputy he has been for the past eight years. At long last he is his own man and, as he indicated with the selection of Senator Dan Quayle as his vice-president, Mr Bush is determined not to be overshadowed.

All this will require a change of attitude from Mrs Thatcher. With President Reagan she has had "an almost mystical relationship", according to one senior US official closely involved. Mr Reagan has admired her toughness as a fellow-fightsr in rolling back the forces of socialism and communism. For her part, Mrs Thatcher may have been less starry-eyed about the president and his abilities, but she has respected his ideological stand.

As a result President Reagan has done things for her which he would not have done for any other leader, according to a senior US official. For instance, he intervened, at her specific request, to order the dropping of the anti-trust case against British Airways at a critical stage before its privatisation – much to the irritation of the US Justice Department.

At present, the threat of a direct intervention from Mrs Thatcher has apparently acted as a block on the unanimous desire of the US foreign policy community (State, Defence and the CIA) to reassume the supply of arms, and particularly aircraft, to Argentina. The US belief is that Mrs Thatcher would immediately speak to the President to stop any suggestion of such a move.

Mrs Thatcher has, however, talked to the President directly only on major issues. In general, she and the Foreign Office have acted snbtly – gaining an influence in Washington when there is no consensus within the US Administration.

For instance, during the Falklands war in 1982, Britain gained the active help of the Anglophile Mr Caspar Weinberger, the Defence Secretary, in securing invalnable logistical support before the US formally declared itself for the UK, in the face of active hostility from some in the State Department. More recently, whan Mrs Thatcher intervened on behalf of other European leaders after the abortive Reykjavik summit two years ago, her direct access to President Reagan was welcomed by those in the foreign policy community who, like her, were alarmed by his vision of a non-nnclear world.

President-elect Bush is unlikely to be as willing as Mr Reagan to allow such access and influance to Mrs Thatcher. He already has considerable knowledge of foreign affairs and, with Mr James Baker as Secretary of State, the US is likely to have its own very clearly defined approach.

On a personal level, Mrs Thatcher's advisers recognise that Mr Bush will be more energetic and more intellectually involved than his predecessor and therefore will have to be treated differently.

Therefore, for all the talk in the London tabloids of Mrs Thatcher as a senior Western leader advising the new President, British officials are keen to stress that she will not be charging in, waving her handbag, to deliver a lecture.

According to a senior adviser, Mrs Thatcher will be "anxious to express support, but also extremely careful to ensure that there is no suggestion of being the boss. We are going to listen, to see what type of president he is going to be, how tough."

Yet Mrs Thatcher is temperamentally incapable of being a follower. One senior US official believes she will have to be careful not to patronise Mr Bush, stabbing her finger at him and pouring forth blunt advice as she did with the adoring, and at times bemused, President Reagan.

If the main point of the visit is to renew contact, Mrs Thatcher wants to stress British and European concern with reducing the US budget deficit, with urgently pushing forward talks about the Middle East, and with the need for full consultation within the North Atlantic Treaty Organisation over the next stage of arms control talks with the Soviet Union. In many respects, President-elect Bush's caution, and concern over the imbalance of conventional forces, are more congenial to the Europeans than some of President Reagan's Utopianism.

However, Mrs Thatchar's undonbted affinity with President Reagan, and her special access to him, may have fostered illusions in Britain about the nature of the special relationship. This may have disguised the fundamental point that the US matters far more to Britain, and Mrs Thatcher, than Britain does to the US. This was shown by the lack of consultation at the time of the US invasion of Grenada five years ago and, more significantly, in the running disputes over extra-territoriality issues.

The election of Mr Bush may result in a less cosy relationship, exposing these illusions about the degree of British influence with the US. But Mrs Thatcher is determined to ensure that close relations with Washington remain at the centrepiece of her foreign policy. She believes that a public reaffirmation of support is the best way to retain private influence.

PRI candidate named winner in Tabasco vote

By Richard Johns in Mexico City

THE candidate of the ruling Institutional Revolutionary Party (PRI), Mr Salvador Neme Castillo, has been declared the winner of last week's gubernatorial elections in Tabasco, with a majority of 77.9 per cent of the votes cast.

Before the announcement on Sunday by the State Electoral Commission, his opponent, Mr Andres Lopez Obrador of the broad left National Democratic Front (FDN) coalition, gave notice that he would seek an annulment of the election. He claims there were violations of the electoral code in 400 of the 1,062 booths.

The Government is not, however, expected to allow any appeal procedures to cloud the accession to power on December 1 of President-elect Mr Carlos Salinas Gortari.

The PRI has been full of self-congratulation over the hotly-disputed Tabasco result and the municipal elections in Nuevo Leon last week, citing them as evidence that it has regained ground lost in the July general election.

The vote for the governorship of Tabasco was announced on Sunday without explanation, two days after the State Electoral Commission said it would not be revealed until November 20.

Canada parties neck-and-neck ahead of poll

By David Owen in Toronto

JUST one week before the Canadian general election, the two leading parties are tied for support, according to the latest opinion poll.

The poll, conducted by Gallup for the Toronto Star newspaper, shows the Liberals and the ruling Conservatives neck-and-neck with 35 per cent support among decided voters. The left-of-centre New Democratic Party is backed by 26 per cent.

The sample indicates a significant erosion of Liberal support from a week ago, when a poll by the same organisation gave them a 12-point lead.

The latest findings are in line with the results of a string of polls published in the last seven days, however.

The central issue in an increasingly vituperative campaign is the US-Canada free trade agreement signed by Mr Mulroney.

Court to rule on investors' right to sue

By Janet Bush in New York

THE US Supreme Court said yesterday it would re-examine whether investors who have complaints against their securities brokers have a right to sue them or whether they must submit to standard arbitration procedures.

The lack of a clear right in law for investors to sue brokers for misconduct or negligence is becoming an increasingly political issua in Congress, which, particularly since an explosion of complaints since last October's stock markst crash, has become concerned about so-called consumer rights.

The US Supreme Court ruled on this question in June 1987, but its judgment has been interpreted in conflicting ways by different state and federal courts. Some argue that tha decision upheld the 1934 Securities Exchange Act, which requires investors to sign agreements when they open accounts with brokers to submit to standard arbitration procedures.

Other courts have argued, however, that the 1987 decision did not overrule an express right for investors to sne, embodied in the earlier 1933 Securities Act.

Mr Michael O'Neill, an attorney with the Dallas law firm of Hamilton and O'Neill, said the decision of the Supreme Court to look at this question again was significant becausa a coherent legal approacb needed to be formulated.

Congress broke up before it could consider legislation to give customers the right to reject mandatory arbitration of broker-customer disputes when opening an account.

Bigger role for private sector urged in Falklands

THE private sector and local business should be given a larger role in developing the Falklands Islands' economy, a report out yesterday advises, writes **Andrew Marshall** in London.

Falklands Islands Development Strategy, written by Mr Peter Prynn and Ms Hilary Sunman of Environmental Resources, was commissioned by the Falklands Islands Development Corporation (FIDC), the economic arm of the Falklands Islands Government (FIG). It sets out priorities for the islands over the next 5-10 years.

Three options for the islands' development are set ont: a high-growth path tbrough investment in the fishing industry, another based on investment in the non-fishery sector of the economy, and a third, lower-growth strategy which includes infrastructure development and a "nest egg" of financial reserves.

The report recommends "investment across a wida front in sound projects – not rejecting wholly the fisheries, nor leaning too beavily upon it." Approximately £8m should be spent annually on development, while £7m should be transferred to reserves, it says.

The machinery for controlling investment in fisheries should be overhanlad, tha report proposes.

In general, the report recommends a wider role for local – and overseas – private capital. More of the impetus for development should come from local people, and from joint initiatives between them and the Government, Mr Prynn said in London yesterday.

Peru package will focus on wages, exports

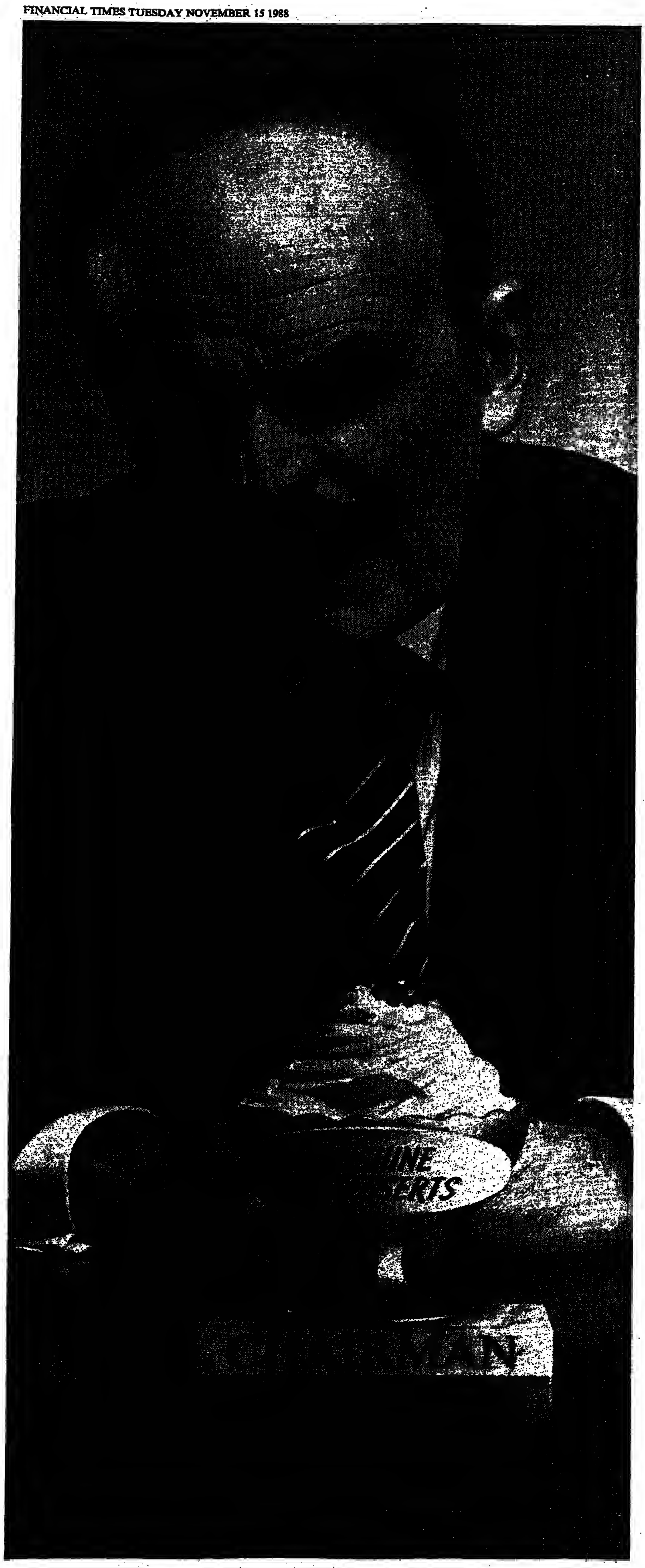
By Veronica Baruffati in Lima

PERU'S economic adjustment package will centre on boosting exports and protecting wages, President Alan Garcia said at the weekend.

However, he avoided any mention of whether the package would be agreed with the International Monetary Fund. Mr Garcia is under pressure both from his cabinet and from Peru's growing economic plight to end his opposition to dealing with the Fund.

Referring to the forthcoming package, President Garcia said Mr Abel Salinas, the Finance Minister, would propose "a programme of successive adjustments, a programme with an initial trauma, but [one] which sets targets".

Thousands of workers, including miners and textile workers, are on strike already in demand of higher inflation-indexed wages.



AMERICAN NEWS

Brazil stumbles on its long march

Ivo Dawnay examines the tragedy that shook Sarney's democracy

Brazilian soldiers armed with rifles guard steel plant strikers after a clash with troops

AS A battleground, it could not have been more symbolically appropriate – the *ancien regime* fighting off the unrealistic aspirations of its employees with live ammunition in the rusting hulk of an out-of-date, chronically indebted state-owned steel mill.

For many Brazilians, the three deaths last week in the clash between troops and strikers at the Volta Redonda plant – itself a once proud symbol of industrialisation in Getulio Vargas's "New State" – have buried any democratic pretensions of the rickety "New Republic" of President Jose Sarney.

With nationwide municipal elections due today, the beneficiaries of the tragedy will most likely be parties on the left. But then, it probably will also boost the swelling movement to spoil ballot papers in protest against the political establishment as a whole.

Since the collapse of the Cruzado Plan price freeze two years ago, the return of inflation now nearing 1,000 per cent a year has made cynicism the biggest constituency in Brazil and despair its recruiting sergeant.

Even so, the events of last Wednesday – more reminiscent of nineteenth century industrial unrest in Europe – have shocked Brazil.

The terrible official silence that greeted the news of the killings also spoke volumes. It was only after an eight-hour meeting between the president and his inner cabinet that official explanations began to emerge, almost 24 hours after the shots were fired.

For the army, the blame lay firmly with agitators carrying out an "urban guerrilla operation." Mr Paulo Brossard, Justice Minister, alleged that "strangers" had penetrated the three-day-old pay strike, while Mr Sarney fell back on an anonymous and sinister group set on using "intimidation and force" to undermine democracy.

Few Brazilians believed these claims, least of all the workforce at the plant. "The only strangers and agitators were the troops," said Mr Wagner Roberto Alves, a 21-year-old maintenance worker last week.

In fact, this too was inaccurate. For local army units have been frequent, if unwelcome, visitors to the steel mill whenever industrial unrest has struck. The difference this time was that the ritual confrontation got out of hand after the more militant workers persuaded a reportedly reluctant Monday shift to occupy the plant rather than walk out.

It was when the soldiers first blocked exits, then attempted to carry out a judicial eviction order that the one-hour skirmish of stone-throwing, tear gas and, finally, shooting began.

Both sides inevitably bear some of the blame; and a walk through the shattered glass and broken machinery last Friday confirmed that, to begin with at least, the occupiers resisted fiercely.

However, none of this can condone the alleged comment of one army commander to a local bishop, that, while he regretted the deaths, "they will serve as an example for the others."

Such sentiments are just the kind which provoke the politically-motivated violence the Government so clearly fears and creates an image for the regime hauntingly reminiscent of its military predecessor.

Opinions offered by marchers in a 3,000-strong demonstration last weekend revealed that conspiracy theories are a game two can play.

"I think the military wanted a show of strength," said one steel worker. "They are worse than the old regime because now they are disguised."

With hundreds of thousands of state sector workers now engaged in pay strikes, this viewpoint is probably more threatening to the Sarney Government than any number of sit-ins. For the wave of industrial action now sweeping Brazil is above all a civil war within the public sector between workers and their political bosses. Private industry has been virtually unaffected by disputes.

Under present constitutional legislation, federal, state and public company workers are virtually impossible to dismiss.

Consequently, Brazil's mounting wage bill now accounts for 25 per cent of all federal spending or almost four times the notorious foreign debt. When real disposable resources are assessed, that figure climbs close to 65 per cent, yet employees' purchasing power continues to wane.

Furthermore, the scale of public sector unrest is now so high that any tinkering with existing rights could easily trigger a general strike with unforeseeable consequences.

Mr Mailson da Nobrega, Finance Minister, has therefore concluded that only tough new tax measures and faster harvesting of revennes can tide the country through.

This must be allied to the tripartite "social pact" between government, unions and employers aimed at holding inflation to a monthly ceiling. But the current rash of pay militancy may well unravel this latest short-term patch on Brazil's already well-darned economic policy.

One respected political commentator claimed last week that the emergency cabinet session called by President Sarney after the Volta Redonda tragedy seriously discussed invoking State of the Defence powers which would reduce or suspend democratic liberties.

In fact, no such move took place. But the bloody confrontation between soldier and steelworker last week has proved conclusively that while it has been a long march to re-establish some semblance of democracy in Brazil after 21 years of military rule, it is only a short one back to authoritarianism.

OVERSEAS NEWS

Indian industry told to prepare for freer trade

By K.K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday gave a clear signal to Indian industrialists that they should prepare for further lowering of tariff barriers and that they should learn to compete with other countries without protection.

In doing so, Mr Gandhi indicated that he is prepared to carry forward the programme of liberalisation of the Government's economic policies – particularly the dismantling of protective barriers under which industry has done business for the past four decades.

Many sectors of Indian industry were opened to competition from imports about five years ago when relatively free imports were permitted and some complained because of a decline in domestic sales. Such complaints have come particularly from capital goods producers, many of whom find themselves with surplus production capacity.

Mr Gandhi's speech yesterday at the opening of an international trade fair in New Delhi on the centenary of the birth of Mr Jawaharlal Nehru, his late grandfather, is seen as a rejection of demands for protection from such companies and a reiteration of his economic liberalisation policies.

That he chose to make the speech on the occasion of Mr Nehru's centenary underlines the seriousness of his belief that Indian industry should be prepared to face competition from abroad. It was during Mr Nehru's prime ministership that industry was allowed to grow under the shelter of protective barriers.

Mr Gandhi referred to the early period of independence in 1947 when the protection was given to enable Indian industries to gain strength. "Today, they are able to stand on their own feet and it is necessary for them to start going out and competing in the open world," he said.

Although he acknowledged that shifting to a totally unprotected environment should be in a phased manner to give industries and their workers the chance to prepare themselves, Mr Gandhi made it plain that he wanted the process of lifting barriers to move quickly.

"Time is of the essence because if we don't do it fast enough, the efficiency of our processes and our systems will not improve fast enough for us to cope with the changes taking place worldwide," he said, adding that the challenge had been accepted by smaller industries.

● A row is expected in both houses of the Indian parliament today over charge by Mr V.P. Singh, the opposition leader, that Mr Rajiv Gandhi, India's Prime Minister, accepted payments from Bofors, the Swedish arms maker, of commissions in a $1.4bn defence deal and put them in a numbered Swiss bank account.

Members of the ruling Congress-I and opposition parties had been preparing for the clash yesterday but the day was declared a holiday because of the Jawaharlal Nehru birth centenary.

Terrorists murder 28 Sri Lankan bus passengers

By Mervyn de Silva in Colombo

TWENTY-EIGHT passengers, all Sinhalese, were gunned down yesterday after the Tamil "Tigers" held up a bus 20 miles out of Trincomalee, the island's largest port, which stands between the Tamil north and the ethnically mixed eastern province. Polls will be held in both provinces on Saturday for the first "merged" north-east provincial assembly.

A single provincial council for a trial one-year period is the most controversial provision of the India-Sri Lanka peace accord signed last year by Mr Rajiv Gandhi, the Indian Prime Minister, and President Junius Jayawardene of Sri Lanka.

The Tigers, the strongest separatist rebel group, have rejected this offer of a semi-autonomous region, saying that the devolved powers are insufficient and that the merger will be tested at a referendum in the east, where the Moslems and the Sinhalese together outnumber the Tamils.

The Sinhalese opposition led by Mrs Sirimavo Bandaranaike, a former Prime Minister, says that the merger may be the first step towards a "Tamil kingdom," a deep-seated Sinhalese fear. Such fears have led to the spectacular rise of the extremist People's Liberation Front (JVP) which has killed more than 600 members of the ruling United National Party, supporters of the accord, policemen and minor officials.

The Tigers are boycotting Saturday's election just as the opposition Sri Lanka Freedom Party and the JVP did the elections in the Sinhalese areas. The election is being contested, however, by three other Tamil groups branded by the Tigers as "Indian Quislings."

With the Sri Lankan police and army preoccupied with the "war" against the JVP in the south, Mr Gandhi has sent several hundred Indian policemen for security duties in the north-east this week.

While Colombo, paralysed for a week by JVP-sponsored strikes, showed signs of returning to normal yesterday, a big military operation has been mounted in the deep south, the JVP stronghold.

Seoul's $50bn exports make it world's number 10 trader

SOUTH KOREA'S 1988 exports now exceed $50bn and by December the country should be among the top 10 trading nations, trade ministry officials said yesterday, Reuter reports from Seoul.

A late surge in exports this year was partly due to exporters hurrying through shipments before the South Korean won appreciates further against the dollar, an official said. The won has gained more than 14 per cent against the dollar this year as the Government gave ground to US pressure for a large revaluation.

Sales of cars, televisions, microwave cookers, textiles, steel products and footwear are leading the boom in exports, at a previous high of $47.3bn in 1987. Exports should continue to rise next year but at a slower pace, the official said.

By the end of this year, trade volume looks set to exceed $100bn, making South Korea the world's 10th largest trading country, officials added. Seoul's exports topped $1m a year for the first time only 24 years ago.

South Korea's 1988 trade surplus is expected to widen, however. The trade surplus with the US is expected to fall to $8.2bn from nearly $10bn last year, the officials said. The US is soaking up just over 35 per cent of South Korean exports.

Hawke plans fourth term

By Chris Sherwell in Sydney

MR BOB HAWKE, the Australian Labor Party's first three-term Prime Minister, yesterday confirmed he intended to serve a fourth term after the next election instead of stepping down.

In ruling out a quick post-election retirement, 58-year-old Mr Hawke was aiming to deflect suggestions that he might go into the poll as a kind of lame duck. In the process, however, he has precluded an early assumption of power by Mr Paul Keating, the influential federal Treasurer.

Before the last election, in July 1987, Mr Hawke had encouraged many, including Mr Keating, his most likely successor, to believe he would be stepping down well before the next election, which is due in 1990 but widely expected sooner.

Ten weeks ago, however, Mr Hawke opened a damaging public rift with Mr Keating by openly speculating on his Treasurer's dispensability and affirming that he would not, after all, be standing aside. His move provoked concern among key Cabinet figures which he has only recently calmed.

The whole controversy has unfolded with little debate on the electoral prospects of the opposition Liberal-National coalition because of the coalition's own persistent leadership and policy problems under Mr John Howard, the Liberal leader.

Although his position remains the subject of constant speculation, fuelled by the coalition's disunity and the competitive media, Mr Howard yesterday dismissed Mr Hawke's latest pronouncement as "academic", since, as he put it, Labor would be losing the poll. Mr Hawke would retire, he asserted, and Mr Keating would never lead the Labor Party.

Mansfield to retire as US envoy to Tokyo

Ian Rodger describes the end of a chapter in US-Japanese relations

"I CAN put your minds at rest," Mr Mike Mansfield, the venerabla US ambassador to Japan, told a bushed press conference in Tokyo yesterday afternoon. "The relationship between Japan and the United States, the most important bilateral relationship in the world bar none, is in excellent shape."

It was like Frank Sinatra singing "My Way". Mr Mansfield, formerly one of the most powerful leaders in the US Senate and for the past 11 years the most influential ambassador in Tokyo bar none, was repeating his theme song.

A strong end-of-era feeling is already in the air in Tokyo these days because of the critical illness of Emperor Hirohito, and the confirmation yesterday from Mr Mansfield, who is 85, that he had decided to retire, "subject to the will of the President".

When he arrived in Tokyo in 1977, the notion of the US-Japan relationship being the most important in the world seemed a bit over the top, and it certainly was not in excellent shape.

The Japanese were in a state of high tension because of the *Carter Administration's* thoughts of withdrawing US troops from South Korea, and the Japanese economy was still struggling to recover from the severe beating it took after the 1973 oil shock.

Mr Mansfield, who had long shown a special interest in Asian affairs, soon managed to calm things down and helped guide the Carter Administration away from its withdrawal ideas, in the process winning the trust of the Japanese.

This was cemented in 1981 whsn in the faca of great efforts by some Reagan enthusiasts to get rid of him, he was able to use his powerful congressional connections to neutralise the attacks.

Yesterday, he praised Ronald Reagan as the first US president to show a "continuous interest" in Japan and the Pacific region.

For most of his time in Tokyo, Mr Mansfield has not been a highly visible ambassador, but he is reputed to have wielded tremendous influence behind the scenes, both in Tokyo and in Washington.

Japanese government officials say his arguments to Washington have been instrumental in reducing friction over such issues as Japanese car imports and even this month, Japan's closed rice market.

> He said the bilateral relationship had "come a long way in the past decade, from the status of a nephew to an uncle, to one of a brother to a brother"

His views have also helped convince the Japanese of the urgency of liberalising financial and other markets.

When he does appear in public, as yesterday, he projects the same Lincoln-like combination of austere judgments and homespun commonsense, all delivered in the deadpan monotone that he was famous for in the US Senate. What was the biggest problem Japan-US relations would face in the future? Back came the answer, "Trade", followed by a long silence. How would he like to be remembered? "That I did my best." Would he be writing memoirs? "I have noticed that those who write these books never make mistakes."

He suspected that most people, if they could see biographies written abont them 50 years after their time, would recognise that they had not been as important as they thought they were.

On the other hand, his parting thoughts on the the US-Japan relationship were as flamboyant as ever

"In politics and diplomacy, we work very well together, in foreign aid, we work extremely well. In the field of security, *the relationship could not be* better. In investment, it is going along very nicely."

He said the bilateral relationship had "come a long way in the past decade, from the status of a nephew to an uncle to one of a brother to a brother". In the future, Japan and the US would "work together to guide the rest of the world in the century of the Pacific".

Mr Mike Mansfield (left), the long-serving US ambassador to Japan, yesterday launched a trenchant defence of Japan's contributions to Western collective security, at the time he announced his resignation, Ian Rodger writes.

"In the field of security, the relationship between Japan and the United States could not be better," he said. Japanese military spending, if measured on the same basis as that of the other principal allies, would reach $41bn this year, compared to $35bn by the UK, $32bn by France and $31bn by West Germany. Also, the Japanese government was paying for 40 per cent of the $6.2bn annual costs of US forces stationed in Japan. "No other country does as well as Japan in that area," Mr Mansfield said.

He endorsed Japan's current defence missions, which involve defending the Japanese archipelago against a limited scale attack and protecting sea-lanes southward 1,000 nautical miles, but indicated he did not think they should be larger. "We do not want Japan to become a regional military power and Japan's neighbours do not want it either," he said.

Last weekend, Mr John Tower, former chairman of the US Senate Armed Forces Committee and a candidate for Defence Secretary in the Bush Administration, was quoted by a Jepanese news agency as saying thet Japan should build np its defence capabilities and shoulder the costs of US forces in Japan as much as possible. He also said Japan should amend its constitution if that was necessary to enable it participate in efforts to defend Western interests in the Gulf.

Mr Mansfield said the Japanese people had become "basically pacifist since the last war. He did not expect Japan to become a warlike nation again, "because I think they are smart enough to realise what the outcome would be."

Japanese former PM dies

By Ian Rodger in Tokyo

MR TAKEO MIKI, who as Japanese Prime Minister in the mid-1970s, tried to clean up politics after the Lockheed scandal, died yesterday of beart failure in a Tokyo hospital. He was 81.

Mr Miki was first elected to Japan's House of Representatives in 1937, and achieved something of a reputation as a pacifist, opposing the war with the US. He was re-elected 19 times, remaining a Diet member until his deatb, despite having been in hospital after suffering a brain haemorrhage in June, 1986.

He came to prominence unexpectedly 1974 when a successor *had to be found quickly* to Mr Kakuei Tanaka, the then Prime Minister who had come under a cloud concerning certain real estate dealings. In his own words, Mr Miki, a member of a small faction within the ruling Liberal Democratic Party, was named prime minister "out of the blue".

His two-year term was notable for the passing of a law to limit donations to politicians and a thorough investigation of the Lockheed scandal. Mr Miki became known as Mr Clean, even though it is generally accepted that his sudden rise and equally sudden departure from office were orchestrated by the still powerful Mr Tanaka.

Mr Miki's Government also established the policy of prohibiting the export of weapons.

OVERSEAS NEWS

Sudanese rebels agree pact on ceasefire

A MEMBER of Sudan's ruling coalition has struck an agreement that would halt a ruinous civil war if it is accepted by the Government in Khartoum, a diplomatic source said yesterday, Reuter reports from Addis Ababa.

The pact was to be signed yesterday in Addis Ababa by John Garang, head of the rebel Sudan People's Liberation Army (SPLA) and leaders of the Democratic Unionist Party (DUP) who arrived in the Ethiopian capital from Khartoum over the weekend for talks with the southern-based rebels, the source said.

The Government has not taken part in the peace talks in Addis Ababa with the SPLA.

The deal provides for a ceasefire in the five-year-old civil war which has devastated the society of southern Sudan, killing thousands, impoverishing millions and driving floods of refugees north to Khartoum and east into Ethiopia.

But it also calls for a freeze on the Khartoum Government's moves to impose Islamic law, Sharia, one of the seeds of the conflict and a central aim of Sudan's National Islamic Front (NIF), which is also a partner in Prime Minister Sadeq al-Mahdi's coalition.

But Arab diplomats said the accord was likely to cause serious divisions in Prime Minister Sadeq al-Mahdi's coalition Government, already beset by economic crises, protracted industrial disputes and street protests.

"I cannot speculate on the sincerity of tbe DUP in its search for peace. But I know that scoring points against other parties is the hallmark of the current democracy in Sudan's politics," said one Arab diplomat.

mainly Christian south since 1983.

But Mr Mahdi gave his blessing to the DUP initiative to end the war, which has displaced millions of people in a country also hit by famine and floods.

NIF bitterly opposed the peace talks, saying they were part of a conspiracy aimed at blocking efforts to revive Islamic Sharia laws in Sudan.

Sudan's official news agency, Suna, reported the expected pact yesterday, calling it an agreement to end the war.

The source in Ethiopia, who described it in more conditional terms, has been close to the negotiations but asked not to be identified.

The DUP delegation in Addis Ababa is headed by the party's leader, Mr Mohammed Osman al-Mirghani. He is not a member of the cabinet but some of his party colleagues are and his mission has the blessing of the Sudanese Prime Minister despite a cabinet decision last month to end all contacts with the rebels.

Diplomatic sources said the two sides were to meet at 5pm yesterday following preliminary talks on Sunday.

The proposed Sudanese ceasefire agreement is intended to pave the way for a constitutional conference to settle the political future of the vast country.

Yunnan quake toll at 722

By Peter Ellingsen in Peking

THE EARTHQUAKE which hit Yunnan, south-west China, killed an estimated 722 people, seriously injured more than 4,000 people, flattened 300,000 houses, closed 1,000 schools and affected the lives of more than 3m people.

Death toll estimates, once rated as high as 900, are still uncertain, however. He Zhiqiang, Governor of Yunnan, said the final toll would probably exceed 1,000.

Preliminary estimates put total losses at more than 1bn yuan ($330m). Officals say the two quakes on November 6, which measured 7.6 and 7.2 on the Richter scale, destroyed 48,000 hectares of farmland and 23,300 hectares of crops.

Damage has been severe in 14 of Yunnan's counties, especially in Lancang, close to the Burma border.

Trying to close the gap at Angola talks

By Michael Holman, Africa Editor, in Geneva

EFFORTS continued in Geneva yesterday to close the gap between Angola and South Africa over the terms for a withdrawal of Cuban troops from Angola, as the south-western Africa peace talks looked set to enter their fifth day.

US officials nevertheless still believe it is possible to conclude a regional peace package in Geneva which would pave the way to the independence of Namibia.

The day ended with leaders of delegations from Angola, Cuba and South Africa meeting around a table for the first time since the talks began last Friday, but without Dr Chester Crocker, the US mediator.

A South African official played down the significance of the meeting, saying that the discussion had been about technical issues such as the monitoring of a withdrawal rather than the terms of the withdrawal itself.

There remains no public evidence that the gap between the parties over the timetable for a withdrawal of 50,000 Cuban troops from Angola has been narrowed.

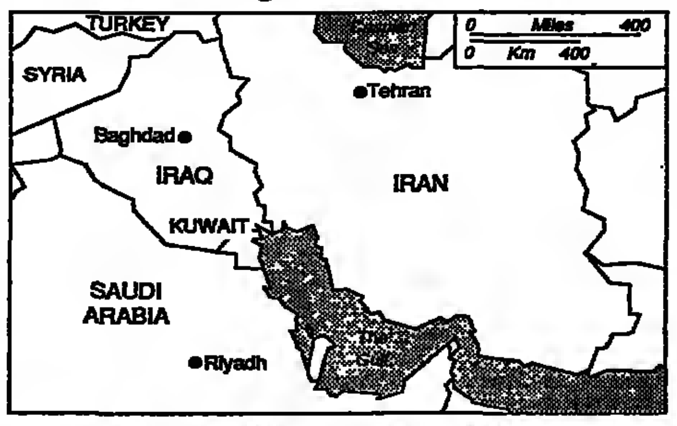
Mr Neil van Heerden, leader of the South African delegation, began the day with a frosty rejoinder to an optimistic assessment of progress at the talks. A senior US official said on Sunday night that a settlement "had never been closer".

"We have had very little since we have been here," Mr van Heerden complained, adding, "we don't need optimistic characterisations, we need substance."

"We are ready to deal," Mr van Heerden emphasised. Earlier in the day, state-controlled South African radio had complained that Cuban proposals for a troop withdrawal "hardly merited serious discussion", but went on to say that there was "still plenty of momentum in this initiative to bring to an end the most protracted regional dispute in southern Africa".

Saudis pivotal in see-saw Gulf relations

Robin Allen examines a strategic shift of alliances towards greater Arab security



SAUDI ARABIA, its stability apparently unimpaired by the eight-year Gulf war, is taking the lead appropriate to its size and wealth in striking a more balanced relationship between the Gulf states and Iran.

In the aftermath of the Iran-Iraq ceasefire, Saudi Arabia is also continuing efforts to broaden its own contacts with East and West and to reduce its lop-sided military dependence on the US.

The Saudis backed Iraq out of sheer political necessity and at great cost.

According to diplomats and oil analysts in the region, "war relief" sales of crude oil and aid in cash amounted to some $30bn – if losses of principal and interest to the Saudi exchequer are added to lost opportunities in fulfilling the country's own development needs. This financial support was becoming harder to sustain and politically more risky as each year passed.

But the kingdom weathered all the wrath Iran could throw in its direction, including military incursions into its airspace in 1984, attacks on Saudi tankers, Iranian-inspired sabotage this year of one of its petrochemical plants in Jubail on the Gulf coast, and Iranian-fostered demonstrations at Mecca last year in which several hundred people died.

Saudi Arabia finally broke off diplomatic relations with Iran in April this year. Now the kingdom feels more secure.

In October, King Fahd ordered the Saudi press to stop their vitriolic attacks on Iran, reflecting the degree to which Saudi Arabia is underwriting a new beginning in Gulf states' relations with the Iranians.

Iran is responding, after its own fashion, with ministerial visits to Gulf countries and by holding out the possibility that one of the region's airlines, Gulf Air, may soon resume services to Iran.

It is not forgotten in Riyadh, capital of Saudi Arabia, that before the Iranian revolution and the onset of the Gulf war, Iraq, not Iran, was regarded as the regional predator.

But Iraq's relative strength has diminished. It is now far and away the kingdom's largest financial debtor, and although cash from "war relief" crude is still going to Iraq, funds to help Iraq's reconstruction are thought to be a long way down the road.

The very nature of Baghdad's Ba'ath Socialist regime, and its past record, are enough to cause wariness in Riyadh.

Iraqi President Saddam Hussein's version of pan-Arab Socialism has little in common with Saudi Arabia's conservative, hereditary monarchy.

There is no sign that Iraq has given up the long-held view of itself as the paramount power in the region. It could be argued that its invasion of Iran in September 1980 was a logical outcome of this self-image. For internal reasons alone President Hussein could not now disavow Iraq's claims to paramountcy after so much blood has been shed.

Given Iraq's self-proclaimed historical role in the region and the threat this posed for its southern neighbours, it was not surprising that Saudi Arabia and five other Gulf states – Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates – should take advantage of Iraq's preoccupation with the war with Iran in 1980 to set in motion what in 1981 became the Gulf Co-operation Council. Iraq was excluded.

Members of the GCC have always been careful to emphasise its economic, commercial and social aspects. Indeed nowhere in the founding articles are defence and security mentioned.

The fact remains, however, that while there has been little progress on economic and social, financial and monetary integration, the GCC has been a great source of comfort where it mattered most – as a mutual defence and security pact between the leaders of the six countries.

> It is not forgotten in Riyadh, nor in the other Gulf countries, that before the Iranian revolution and the onset of the Gulf war, Iraq, not Iran, was regarded as the regional predator. When the the Gulf Co-operation Council was formed in 1981, Iraq was excluded.

The dialogue with Iraq, never broken, will of course be maintained, but its nature will change to take account of the Gulf war ceasefire.

Relations with Iran, once broken, are now of necessity being renewed. Iran has a population of some 50m, compared with Iraq's 16m and Saudi Arabia's 10m. The Iranian population is twice as large as all the eight Arabian peninsular countries put together, including North and South Yemen.

As long as the ceasefire holds, Iran is no longer a direct military threat to Saudi Arabia, Kuwait or the other Gulf states.

But it is a disturbing and disturbed enough northern neighbour that Saudi Arabia needs to bring it back into the regional community.

Both countries apply the principles of Islam in their own rigorous fashions, yet Iran is seen by the Saudi monarchy as dangerously radical in its attempts to espouse the cause of the oppressed and dispossessed.

Saudi Arabia's search for long-term security does not stop at the Gulf, and it is building up wider contacts with more countries from East and West.

The Tornado aircraft deal won by Britain – a contract for which many Americans in Saudi Arabia still bitterly blame the US Congress for having thrown away – seems to have assured Saudi Arabia of an up-to-date and independent air defence system for the next decade and more.

The acquisition of Chinese missiles may have infuriated the US Congress but it also served notice that the US will lose out if Congress continues to interfere in Saudi priorities.

Of particular significance is the rapprochement between Saudi Arabia and the Soviet Union, in the face of opposition from Saudi religious traditionalists who want no ties with the atheist regimes in Moscow and Peking.

Relations with Moscow have been suspended since 1938. But Saudi Arabia would probably benefit from ties to two superpowers rather than one, and the Soviet Union has attempted to forge diplomatic and economic relationships with Gulf oil producers since before the Gorbachev era.

Saudi Arabia is now widely expected to exchange ambassadors with the Soviet Union as soon as the latter completes – to Saudi satisfaction at least – its withdrawal from Afghanistan. Such a step would give the Saudis an added weight in international politics.

Lomé deal will stress structural adjustment

By Peter Montagnon, World Trade Editor

THE NEXT Lomé agreement between the European Community and developing countries will place new emphasis on structural adjustment, but Brussels will not blindly follow the prescriptions of the International Monetary Fund and World Bank, a top EC aid official said in London yesterday.

Mr Dieter Frisch, head of the EC directorate responsible for development, said there was little room for the EC to make further trade concessions in the new Lomé accord being negotiated with 66 African, Pacific and Caribbean countries, so the talks were likely to focus heavily on aid.

One new feature could be the provision of quick-disbursing aid funds in support of structural adjustment, he said, but he denied that this simply meant lining up the EC behind the IMF and World Bank.

The EC approach to structural adjustment would be pragmatic, involving dialogue with recipient countries and the multilateral institutions in Washington, he said.

"Sometimes we felt that the approach of our colleagues in Washington was a bit doctrinaire," he told a briefing. The EC believed successful structural adjustment programmes had to have the support of the government concerned, and take account of social problems.

Mr Frisch added that the Stabex scheme for compensating developing countries for fluctuations in commodity prices would be retained.

Stabex, which he described as "an irreplaceable second-best" in the absence of an efficient world stabilisation system, has been criticised by the UK for failing to encourage economic diversification.

Namibia would be welcome to join the Lomé system after it received independence. The EC was still considering the applications of Haiti and the Dominican Republic to join, but beyond that, Lomé concessions were unlikely to be extended to other developing countries in Asia and in Latin America, he said.

WORLD TRADE NEWS

Whiff of change on US-Cuban trade

Gareth Jenkins* describes pressures on Bush to end the blockade

WHEN George Bush moves into the Oval Office he is likely soon to reopen the file on the US blockade of Cuba. Interestingly, during the election campaign it has been aides in the Bush rather than the Dukakis camp who have been most busy on this issue.

The reason is that, scenting the whiff of change, pressure has been building up from US business for the Cuban market to be declared open for trade. According to the US Commerce Department, representations from major corporations have been arriving at the rate of two a week in recent months, including one from McDonalds.

US companies have found ways to trade with Cuba throughout almost three decades of the blockade. Since 1975 they have been able to do so legally under licence from the US Treasury - but only through third country subsidiaries.

This, as a recent US study points out#, is a very costly and time consuming way of conducting trade. The study is the result of joint research by Ms Donna Rich and Mr Kirby Jones of the Cuban Studies Program at Johns Hopkins University in Washington. Mr Jones is former president of Alamar Associates which has assisted US corporations to establish commercial contacts with Cuba since 1975.

The study draws on documents and statistics provided by the US and Cuban Governments and the US private sector. It analyses current US subsidiary trade with Cuba from documentation available under the Freedom of Information Act and interviews with dozens of Cuban officials, including President Fidel Castro.

Ms Rich argues that US business has lost around $30bn of trade with Cuba as a result of the embargo over a quarter of a century. She quotes Mr Miguel Castillo, Cuban Vice-Minister of Foreign Trade, as saying that US corporations could capture between 33-35 per cent of Cuban trade with the West if the embargo were lifted - sums of up to $750m a year.

The main US export products involved would be grains, chemicals and medicines - together worth around $400m - machinery and parts, communications equipment, paper and wood products, textiles and hotel equipment. The main imports from Cuba would be nickel, frozen concentrate, citrus, seafoods, sugar, tobacco and rum. Cuba could also become a major US tourist destination once again.

According to the study, it is now only a small minority of US businessmen who continue to see Cuba as a political issue, the majority viewing "trade with Cuba as they would trade with any other communist country".

In 1987, the US Treasury issued 198 licences to foreign subsidiaries of US companies to trade with Cuba. The list of companies trading with Cuba is like a roll call of big business and includes Dupont, Dow, Monsanto, Union Carbide, General Motors, Johnson and Johnson, Goodyear, Cargill, Eli Lilley, and Firestone.

When the embargo is eventually lifted, the main losers will be the European, Japanese and Canadian companies who have built up regular trade ties over the years. Ms Rich was told by the Canadian Commercial Attache, Mr Bernard White: "You have to understand that there is a fascination here with things American. If the US lifts the embargo, I might as well pack my bags and go home."

Gareth Jenkins is Editor of Cuba Business.

 # Donna Rich, Opportunities for US-Cuban Trade, Cuban Studies Program, Johns Hopkins School of Advanced International Studies, Washington DC, June 1988. This study is also available from: Cuba Business, 287 City Road, London EC1V 1LA, price £15.

THE COST OF CUBAN EMBARGO TO US BUSINESS BY SECTOR
(in Millions of Cuban pesos)

Product	US loss in 1985	US 25 year loss
Chemicals	86	2,265
Herbicides and Pesticides	61	416
Grains	100	2,453
Rice	37	563
Steel and Iron	12	1,625
Medicines and Medical Equip.	180	n/a
Textiles	88	1,121
Transportation	335	3,005

Source: Cuba Business

EC widens dumping inquiry on TVs

By William Dawkins in Brussels

CHEAP COLOUR televisions from China and Hong Kong are being investigated for alleged unfair under-pricing by the European Community.

The European Commission yesterday extended to the two countries the scope of an existing anti-dumping inquiry into imported South Korean colour televisions, opened last February.

Both investigations were triggered by complaints from the Milan-based European Association of Consumer Electronics Manufacturers, which represents all the top EC television makers, including Philips, Thomson, Grundig, Ferguson and Bang & Olufsen.

This is the latest in a growing line of Far Eastern electronic consumer products to fall foul of EC anti-dumping rules, including videocassette recorders and tapes and compact disc players.

Only last month, the Brussels authorities gave France the go-ahead to restrict temporarily imports of South Korean and Taiwanese colour televisions arriving there via other EC countries.

EC television makers claim that China and Hong Kong deliberately undercut prices to boost their Community exports of small screen televisions from 35,000 sets in 1985 to 620,000 last year, to give Peking a 6 per cent share of the EC market and Hong Kong 3 per cent.

Taken together with South Korea, the three countries have enlarged their EC market penetration from 3 per cent in 1985 to 21.5 per cent in 1987, the Commission said. As a result, the EC market share of Community television makers slipped from 67 per cent to 55 per cent over the same period.

The companies involved sold at well below the normal prices charged on their own home markets and undercut EC producers' prices by up to 51 per cent, according to Brussels, which has given them 30 days to respond.

They include five companies from Hong Kong and a large number of regional factories in China.

Competition undermines social compact

By Max Wilkinson, Resources Editor

FT CONFERENCE
WORLD ELECTRICITY

THE SOCIAL compact between US electricity utilities and society was disappearing under the pressure of competition, probably for ever, Mr Charles Stallon, a member of the US Federal Energy Regulatory Commission (FERC) said in London yesterday.

He told the first day of the Financial Times World Electricity Conference there was a parallel between current debates in the US about the future of the electricity industry and that in the UK.

"Both are based on the same apparently strong perception – that generation is not a natural monopoly and that government should therefore not try to maintain its monopoly status, either through regulation or through state capitalism," he said.

Mr Stallon said the reforms now being considered in the US went considerably less far than those planned as part of the privatisation of the UK electricity industry.

In the US, the traditional system had been based on the idea that an integrated electricity monopoly should serve the needs of its area and be under an obligation to build the plant needed to maintain supplies.

Although this system worked quite well in times of low interest rates and steady economic growth, it came under severe pressure when interest rates, fuel costs and inflation rose and while economic growth faltered.

Mr Stallon said: "Perhaps the most telling development that portends a major change in the traditional system, if not its total demise, is that few utilities appear to be building new generation capacity or planning to build, under the traditional rate base model."

New investments to meet growth in demand and to replace ageing units would cost hundreds of billions of dollars in the 1990s.

One way of filling this gap would be to stimulate the growth of independent power suppliers in an increasingly competitive wholesale market. Mr Stallon conceded that FERC's efforts to promote this development had not met with universal acceptance, and that more debate would be needed.

Regulation would need to be improved as markets were opened up.

In Britain, he said, the Government had decided to go much further, by opening up access to the transmission network. This would be immensely complicated in the US and he did not know how it could be done.

Lord Marshall, chairman of the UK's Central Electricity Generating Board, told the conference in a keynote address that the board's surplus of capacity during the past two decades had now largely disappeared. Two oil-fired units and two coal-fired units which had previously been put in mothballs were being brought back into service, and the board was looking at the possibility of adding a fifth unit to the four-unit Isle of Grain oil-fired power station by 1991.

If economic progress was maintained in the UK, 15,000MW, equal to a quarter of present capacity would be needed by the end of the century.

WORLD TRADE NEWS

Rolls-Royce set to join Spanish defence venture

By David White, Defence Correspondent

ROLLS-ROYCE, the UK aero-engine group, is expected to participate in a new Spanish venture geared to international military aircraft projects.

The company confirmed it was negotiating with prospective Spanish partners but would not comment on the possible size of its share or the investment.

Two Spanish state-controlled companies are also being brought into the venture alongside Sener, Spain's nominal partner in the £1.7bn programme, to develop an engine for the planned twin-jet European Fighter Aircraft (EFA).

Participation in the EJ200 engine for the Eurofighter was one of the main factors holding up the Spanish Government's decision, since it implies a major investment programme to start an aero-engine business virtually from scratch.

Spain has now brought in CASA, its partner in the EFA airframe, and the Bazan naval shipyard to set up a new plant with Sener, aimed at seeking further work from other collaborative projects.

Airbus wins order

By Michael Donne, Aerospace Correspondent

AIRBUS Industrie, the European airliner manufacturing consortium in which British Aerospace has a 20 per cent stake, has won a £1.16bn ($2bn) order from the US leasing company, International Lease Finance Corporation (ILFC).

The deal involves firm orders for 30 aircraft, with options on 16 more.

They agreement includes firm contracts for four A-300s, with options on two; six A-310s, with one option; 18 A-320 150-seaters, with options on 11 more; and firm orders for two of the new long-range, four-engined A-340s. These deals bring the total of Airbus aircraft on firm order to more than 900. If options are also included the total is more than 1,300 aircraft.

An Airbus Industrie spokesman said that ILFC, one of the world's major leasing organisations, had now become the first company to order the entire range of Airbus types. ILFC will lease the aircraft out to airlines around the world and is understood already to have customers for most of them.

Seoul cuts tariffs

IMPORT TARIFF rates on 109 items, including cars and whiskeys, will be cut by an average of 6.4 per cent, the South Korean Finance Ministry said yesterday, AP reports from Seoul.

The cuts, scheduled to go into effect on November 21 instead of the original date of January 1, will trim South Korea's bulging current account surplus and avoid trade friction with other countries while stabilising domestic prices, officials said.

Under the tariff cuts, import duties on cars, trucks and buses will fall from 30 per cent to 25 per cent and those on whiskeys from the present 100 per cent to 70 per cent, the ministry officials said.

They said tariffs for air conditioners, refrigerators, cameras, stockings, shirts and children's wear will be slashed by 10 percentage points to 20 per cent. Officials said tariffs on some pharmaceutical products, sugar, washing machines and eyeglasses will drop by 5 percentage points to 15 per cent.

EC to resist pressure for quick deal in Gatt talks

By William Dullforce in Geneva

THE EUROPEAN Community will not be pressed into stitching up a rapid deal at the trade ministers' meeting in Montreal next month that does not pay due regard to the widely ranging interests of other countries, Mr Willy de Clercq, the EC Commissioner for External Relations and Trade, said yesterday.

Without naming the US but clearly referring to it, Mr de Clercq warned that no single country could impose its priorities at the mid-term review in Montreal of the General Agreement on Tariffs and Trade's Uruguay Round without wrecking the whole exercise.

Certain unrealistic positions had been tabled in the talks on agricultural trade, he said.

Washington and Brussels are still completely at odds over the US demand that the ministers agree in principle at Montreal to the long-term abolition of all farm subsidies.

EC agriculture ministers were yesterday trying to agree on the policy to follow at the Montreal meeting. The foreign ministers will have their say later this month.

The EC was willing to seek agreement on a package of short and long term measures, including in the longer term a substantial and concerted reduction of support to farmers, Mr de Clercq said.

EC farmers knew there was a penalty to pay when they raised output in surplus sectors. They knew, too, that they would have to adjust further, as agricultural productivity increased steeply elsewhere.

But, Mr de Clercq said, in many countries farmers constituted the less prosperous part of the population. In such a context there was no place for extreme positions.

The EC Commissioner told a meeting organised by the World Economic Forum that any departure from the principle of give and take in multilateral negotiations would create serious risks.

Akzo aims to create a market revolution

Laura Raun reports on hopes for aramid after the end of a patent war

ARAMID fibre is five times stronger than steel yet it is lighter, more supple and fireproof. Akzo of the Netherlands, among others, hopes this versatility and affordable price will allow aramid to revolutionise industry in the 1990s much as nylon did in the 1950s.

Until a half year ago the future of this "miracle" fibre was clouded by a long and bitter legal dispute between its two leading manufacturers - Akzo and Du Pont of the US. Both chemical companies must succeed with their aramid fibres in order to recoup the biggest investment each has ever made in a single new product.

After ending their patent war in May, both companies are now competing for a lucrative world market that could rise from its present $500m to $725m in 1991. It is something of a David-and-Goliath battle, with Akzo claiming only about 15 per cent of the market and the US giant around 80 per cent.

But Akzo, the world's biggest industrial fibres maker, is intent on enlarging its share - perhaps to as much as 40 per cent - through innovative marketing and its strong customer base.

Aramid fibre is used in bullet-proof vests, car tyres and tennis rackets, among other products. In the future Akzo hopes to penetrate more deeply into markets for anti-ballistic materials, lorry tyres and aircraft where profit margins are wider.

Other advanced materials such as ceramic fibres and high-modulus polyethylene are competing for new applications in high-technology industries, but Akzo has put much faith - and money - into aramid.

"Aramid has the widest range of applications and versatility for the price among high-performance fibres," Mr W.H. Hupje, general manager of industrial fibres for Akzo, explained. "It is an all-rounder versus a specialist."

Akzo also makes a carbon fibre which is stronger and more heat-resistant than aramid but twice as expensive. Since the two materials have complementary properties, Akzo believes they could form a particularly durable, flexible composite material.

Aramid is a petrochemical-based fibre synthesised from two monomers containing chlorine and hydrogen and a complex solvent that sparked many patent battles. The resulting polymer looks like yellow cornmeal, is dissolved in sulphuric acid and then spun into tiny filaments 20 microns wide. These are woven into thread or yarn or moulded into pulp for plastic.

Akzo began research into aramid fibre in 1967, three years after arch-rival Du Pont. Monsanto of the US and West Germany's three chemical giants eventually dropped out of the race although the Soviet Union and Teijin of Japan stayed in.

By 1972 Du Pont launched pilot production but Akzo lagged behind for another decade while consolidating its 1969 merger and heavily restructuring its fibres activities. Commercial production finally began in 1986.

"There was a long learning curve, but perhaps we waited too long," concedes Mr Hupje, reminiscent of other Dutch companies which have excelled in technology but stumbled in marketing.

The many guises of aramid fibre

Akzo is believed to have spent around Fl 1bn (£280m) over the past 20 years in developing aramid, which is now being produced in a joint venture with a government-owned venture capital fund. Another Fl 540m came from the Dutch Government and commercial banks between 1980 and 1987. Akzo hopes to break even on a cash flow basis by 1990.

For advanced materials such as aramid the biggest challenge is to create markets, and both Akzo and Du Pont have had to help customers discover new ways of using it. "Marketing is not substitution but imagination, new concepts," Mr Hupje noted. "The technical boundaries have to be shifted."

At the moment most customers still use aramid as a substitute for existing fibres in rubber goods sncb as radiator hoses, drive belts and car tyres. Michelin, Pirelli and Bridgestone all use aramid to reinforce their tyres.

But the great breakthrough sought by both Akzo and Du Pont has yet to come. They want tyre manufacturers to use aramid instead of steel for reinforcement.

Worldwide production of aramid fibres is running between 16,000 and 17,000 tonnes a year, of which Du Pont spews out the lion's share – around 13,500 tonnes. Akzo spins 2,500 tonnes a year and plans to double its capacity of 5,000 tonnes between 1991 and 1995.

By then the Arnhem-based company will have entered the US market, where it was banned in 1985 under a US International Trade Commission ruling resulting from the patent dispute. That battle also provoked court suits in seven countries around the world.

Until 1990 Du Pont will have a virtual monopoly on the US market under the terms of the secret out-of-court settlement with Akzo. The US accounts for two-thirds of the world market and its demand is growing by 10 per cent a year, so Akzo hopes to hit the ground running by courting customers now.

On its home turf of Europe, which accounts for one-quarter of world consumption, Akzo is doing well. It claims around half of the market and will undoubtedly fight to keep that ground despite an onslaught from Du Pont, which recently opened a new plant in Northern Ireland.

Perhaps the most dynamic market is the East, where both Akzo and Du Pont have gained a foothold. Akzo has set up a joint venture with Japan's Sumitomo Chemical and Du Pont with Toray.

Japan now accounts for only 6 per cent of world demand, but this share is expanding by 20 per cent a year. If Japan should enter the aerospace race, as many expect, that pace could continue for some time.

UK NEWS

Retail sales rise of 1.9% dashes hope of slowdown

By Ralph Atkins and Maggie Urry

BRITISH retail sales jumped sharply last month, according to official figures yesterday, dashing hopes that high interest rates were leading to a steady deceleration in consumer spending.

Provisional Department of Trade and Industry figures showed retail sales volumes to have risen by 1.9 per cent in October after adjustment for normal seasonal variations. Volumes fell 0.8 per cent in September.

The rise far exceeded analysts' forecasts and prompted fears of another rise in base interest rates – although market reaction was muted.

Other DTI figures showed that manufacturers continued last month to raise the prices of goods leaving the factory gates, rises which could feed through into higher prices. There was a fall, though, in the cost of fuel and raw materials bought by manufacturers.

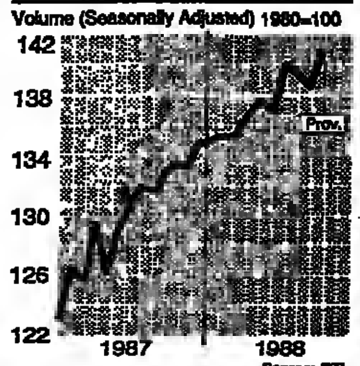
Together the figures provoked fresh fears that the economy is still growing too fast and that excess demand is leading to higher prices and a surge in imports. Figures for October's retail prices index, released on Friday, are expected to show inflation rising to well above 6 per cent.

The retail sales figures appeared to contradict anecdotal evidence from retailers and the latest Confederation of British Industry/Financial Times distributive trades survey. This showed retailers reporting a marked deceleration in sales volumes last month.

Both the DTI and the Treasury pointed out, however, that it was unwise to note trends from a single month's figures. They also said that longer-term figures could point to a slowdown.

Retail Sales

Volume (Seasonally Adjusted) 1980=100



Source: DTI

In the three months to October, sales volumes were 1 per cent higher than the previous three months. Comparable figures during the summer months showed rises of up to nearly 2 per cent.

Sales in the three months to October were 5¼ per cent higher than the corresponding period a year before.

The Treasury said that it would take time for interest rate rises to take full effect and it was not until October that the second rise in mortgage rates began to have an impact.

The DTI's index of the output prices of manufactured goods showed a 0.5 per cent rise to 114.8 (1985=100) between September and October. But the annual rate of growth fell from 4.9 per cent to 4.7 per cent in the same period.

The outpnt price rise in October almost certainly reflects increasing profit margins. Labour costs have remained relative subdued, with rising earnings offset by higher productivity.

If the traditionally more volatile food, drink and tobacco prices are excluded, however, then the annual growth rate in manufactured goods prices actually shows a rise between September and October.

Other figures yesterday show a 0.7 per cent fall in the cost of fuel and raw materials bought by manufacturing industry in October after adjustment for seasonal variations – the third consecutive monthly fall. The provisional index stood at 98.7 (1985=100) against 99.4 in September.

The retail sales figures came as a surprise to retailers, many of which have already said that October was a dull month, especially for clothing sales.

The Retail Consortium, the trade body which represents retailers, said it was "a little perplexed by the figures", which did not match its members' informal reports of muted sales.

Mr Michael Julien, chief executive of Storehouse, the BhS, Mothercare and Habitat group, said that the retailing climate had worsened since the group's half-year end in mid-September.

Warm weather has deterred buyers of winter clothes, and a number of fashion retailers are already holding "mid-season sales." Retailers have also said that Christmas trading is starting late.

Mr John Richards, retail analyst at County NatWest WoodMac, the broker, suggested that the 1.9 per cent rise in volume in October might stem from price-cntting – a thonght which brings no comfort to the shops.

Weekly sales figures from the John Lewis Partnership show increases in three of the four weeks in October running below its budget of 9.9 per cent during the current half year.

But the first week in November saw John Lewis' sales up 15.3 per cent.

New party to fight European elections

By Michael Cassell, Political Correspondent

WHAT IS claimed to be the first cross-European political party, adopting an identical manifesto throughout the Community to fight next year's Euro-elections, was launched yesterday at Westminster.

The Initiative for a European Democracy (IDE) claims that it is not linked to any national or European parties or institutions within the EC and will stand on the basis that Europe can regain its pre-eminence only through total unity.

A spokesman said: "As IDE aims at structural change, it is outside the traditional left-right-centre political spectrum."

IDE is neither left-wing, right wing nor central."

The new party's main aim is to bring abont structural changes within Europe, transferring power from national to European level.

The spokesman said the strategy required an increase in the competence of the European parliament and in the establishment of regional parliaments.

He added: "The 1992 single-market proposals will create an economic Europe, but IDE aims at promoting a democratic political Europe."

The party, which claims it will pnt forward candidates throughout the Community, aims initially to achieve 5 per cent of the vote, basing its appeal on the case for economic, defence and foreign policies to be transferred to European, rather than national, levels.

NatWest orders terminals from BT

By Terry Dodsworth, Industrial Editor

BRITISH TELECOM is to provide 16,000 computer terminals for the National Westminster Bank's nationwide local branch network in a deal which marks a further diversification by the company into the computer systems market.

The order, for an undisclosed sum, follows the formation of BT's Major Customer Projects division 2½ years ago to bid for broadly based information technology projects with the group's larger customers.

This is the first time that division has won a large contract in the terminal field.

Mr David Hine, project manager, said yesterday that the NatWest deal was expected to provide the base for other contracts in the same field.

The terminals were being fitted to a networking system designed by RCA of the US, and widely installed in a number of industrial and financial companies. This would give BT the opportunity to sell its expertise elsewhere, including North America, he said.

BT's role in the NatWest contract was as a designer and installer of the equipment.

The basic components of the terminal are being imported from Wyse of the US, one of the world's largest independent terminal manufacturers, while other key components are being produced in the UK to BT designs. These parts are brought together and assembled by a distributor of Wyse products in North London.

According to Mr Hine, about 80 per cent of the contents of the final product will be produced in the UK, while all the software and systems integration expertise is being provided by BT.

Housing plan for Le Touquet

By Andrew Taylor, Construction Correspondent

DECLAN KELLY and Brent Walker, two British developers, announced plans yesterday for a £50m housing development at Le Touquet in northern France which is designed to take advantage of the Channel tunnel.

About 60 per cent of the 1,000 homes are expected to be sold to Britons wanting second or retirement homes.

Mr Declan Kelly, chairman of Declan Kelly, said the homes, which will vary from one-bedroom apartments to five-bedroom luxury homes, would fetch between £40,000 and £200,000 if sold today. This was between two-thirds and half the price of similar homes currently being sold on the south coast of England.

Mr Kelly said that it was the first British development in northern France aimed at the Channel tunnel market – although Declan Kelly and other British groups, including Wimpey, Higgs & Hill and McCarthy & Stone, had housing developments elsewhere in France.

Mr George Walker, the former boxer who is chairman and chief executive of Brent Walker, said Le Touquet, a picturesque French coastal resort, would be within two hours of London, Paris and Brussels when the tunnel was completed in 1993.

He said English, Dutch, West German and French financial institutions had offered to open offices at Le Touquet to provide mortgage finance to potential buyers. Purchasers were expected to come mainly from Britain, France and Belgium.

The houses and apartments will be built on part of a 1,500-acre (600 hectare) site bought two years ago by Brent Walker for £4.8m from the Bell family, which founded Bellway, the British housebuilder.

The purchase was made just a few months before the Channel project won official approval.

The site includes a hotel, two 18-hole championship golf courses, which have staged both the French and European open championships, and a casino. Brent Walker intends seperately to build another 120-bedroom hotel and another 18 hole golf course. Membership of the golf courses will be offered to purchasers of the new homes.

Declan Kelly will pay for the construction of the homes and for necessary infrastructure, including roads. It will pay Brent Walker a minimum of £10m when the houses are sold. Brent Walker will also take a share of the profits after deducting agreed costs. The scheme which has received outline planning permission is expected to take about seven years to complete. The developers expect to start marketing the homes in the new year.

Bank extends broking arm

By David Barchard

BROWN SHIPLEY, the London merchant bank, is to open stockbroking branches in Bexhill, East Sussex, and Newcastle upon Tyne.

The network will concentrate on research, portfolio management, electronic communications, and dealing facilities.

UK NEWS

A fatal recipe for good heart care

Kieran Cooke explains why Ulster has a lead in cardiac treatment

TAKE one, or perhaps two eggs. Take at least two substantial slices of bacon, two sausages and tomatoes. Then cut a couple of slices of black pudding.

Add white pudding, a sort of Irish version of haggis. Then add soda bread, in Northern Ireland called farls and potato bread (fadge). Optional extras would be mushrooms and for good measure some wheaten bread. Fry and consume with gusto.

The "Ulster fry", pride of Northern Ireland cuisine, was once referred to as the most deadly meal since the days of the Borgias' mammoth feasts, a heart attack on a plate still eaten regularly

Northern Ireland has the highest incidence of coronary heart disease in the world. Death rates from coronary heart disease in the province are 298 for every 100,000 people per year, according to the World Health Organisation.

Death rates in the UK as a whole are very high: Scotland closely follows Northern Ireland in the heart attack table while in England and Wales there are 243 deaths per 100,000. This compares with 230 in the US, 79 in Spain and 45 in Japan.

Doctors do not place all the blame on the Ulster Fry. Rather they see a combination of factors as being responsible for heart disease. These include family history, smoking and general life style patterns. But the Northern Ireland diet, rich in fats and dairy products, is an important contribution to the province's top of the league status.

"People here have a very conservative, traditional approach to eating," says Dr Alan Evans, a heart specialist at the Royal Victoria Hospital in Belfast and head of the Northern Ireland section of a 10-year World Health Organisation project monitoring heart disease around the world.

"The US and Finland, countries where the incidence of heart disease has been high, have brought their figures down considerably through changes of diet and life style. Unfortunately that has not been the case in Northern Ireland."

Cholesterol levels are so high in Northern Ireland that nearly 90 per cent of adults in the province are estimated to be above the international Who standard for cholesterol levels.

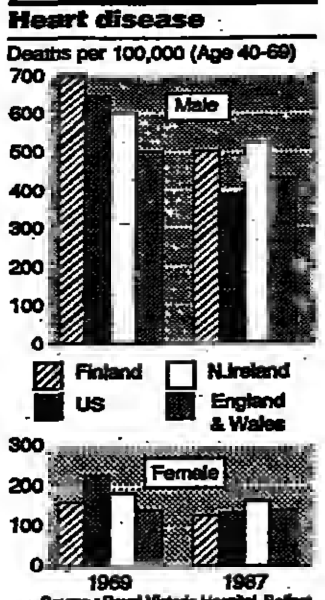
Dr Evans says that powerful vested interests in the food industry are frequently responsible for misleading the public. A province-wide Change of Heart campaign has been launched to increase health awareness. Seminars on diet and general health promotion are being held in factories and offices.

Particular attention is focused on schools where preliminary studies have shown that coronary risk factors are present in children

Dr Maurice Savage of Queen's University of Belfast says: "A study of 100 children in one school showed that 50 per cent of pupils had cholesterol levels higher than they should and that 10 per cent of 12 year olds smoked."

A comprehensive survey testing coronary risk factors, physical activity and children's diet starts early next year, the first of its kind to be carried out in Europe.

There is a positive side to Northern Ireland's alarming heart disease statistics. The violence of the last 20 years in Northern Ireland has resulted in hospitals in the province inventing new techniques in surgery and medical care. IRA "punishment" kneecappings, where the victim is shot through the knees, have had to be dealt with so often that Northern Ireland now leads the world in such areas of surgery. Hospitals such as the Royal Victoria are among the leaders in Europe for cardiac facilities. Northern Ireland has also been a leader in developing specially equipped "Cardiac ambulances" which have already proved to be an important life-saving service.



Dr Jennifer Adgey, a cardiologist at the Royal Victoria, has recently completed a series of tests on equipment which she describes as an amazing step forward in the speed and availability of cardiac care. Medphone, a company in New Jersey in the US, has developed a portable defibrillator, fitted into an attache size case, used to administer life-saving shocks to the heart.

When the case is opened and a phone plugged in, the system automatically dials a hospital base station. Screens at the hospital are able to analyse the patient's electro cardiograph, transmitted from pads on the chest down the phone line. A hospital operator is then able to send a message back down the phone line to the defibrillator which will then administer the necessary shock.

Part of the Medphone equipment is manufactured in Bangor, Northern Ireland, by Marquette NI, and the first European tests have been successfully carried out in the province. "We calculate that a person can receive treatment in less than a minute with this device," says Dr Adgey. "We will also be doing tests on cellular versions of the same system which will mean that to have treatment the patient does not even have to be near a telephone junction box.

"The possibilities are endless. Instead of taking the patient to the hospital we will in future be taking the hospital to the patient."

Marquette NI has rapidly become one of the world leaders in specialised heart equipment. It is now making a battery powered defibrillator for use by ambulance crews and paramedics. Many UK ambulances already have the new equipment installed and there are increasing sales in Europe

It is no coincidence that Northern Ireland has rapidly become a world leader in cardiac care. The Ulster Fry and other factors give it the doubtful distinction of being the heart attack capital of the world. Northern Ireland has, ironically, also become one of the safest places in the world to have such an attack.

Daewoo investment raises job hopes

By Our Belfast Correspondent

A DECISION by Daewoo, the South Korean industrial and electronics group, to open a £18m plant manufacturing video recorders in Ulster, has helped partly to offset the damage caused by the closure of several international companies in the County Antrim area in the last 10 years.

Courtaulds, ICI, British Enkalon, Michelin and Carreras have all closed factories in the Antrim area resulting in thousands of redundancies.

Antrim residents are hoping that Daewoo's investment will provide work for many people who lost their jobs when the multinational companies pulled out.

Daewoo's investment in the province is a success for the Industrial Development Board's campaign to attract investment from East Asia.

Economic development officials are hoping that Daewoo's decision will persuade other Asian companies to consider Ulster as an industrial location.

As well as the 500 direct jobs on Daewoo's 12-acre site, the investment will also provide opportunities for many Northern Ireland companies in the supply industry.

Mr Tom King, Northern Ireland Secretary, said yesterday that Daewoo's decision was the best news about overseas investment in Northern Ireland for years and showed how positively major international corporations viewed the Ulster business opportunity.

UK NEWS

Banks urged to rethink Brazilian energy loans

By John Hunt, Environment Correspondent

SIR RICHARD BODY, a senior Conservative MP, yesterday called on Midland and Lloyds bank customers to switch their accounts unless the banks drop proposals to lend money for hydro-electric projects which environmentalists say are damaging the Brazilian rainforest.

Sir Richard, former chairman of the House of Commons select committee on agriculture, said that customers should ask the two banks to "mend their ways".

"If they can't respond to that, then I hope they will take further action by moving to other banks," he said.

He was chairing a press conference organised by Friends of the Earth and Survival International to protest against loans from the World Bank and commercial banks to Brazil's energy sector.

The conference was to launch a European tour by Chief Paulinho Paiakan, a Kayapo Indian leader, representing 28 indigenous tribes from the Amazon region. He has come to Britain to appeal to the Government and British commercial banks to halt the financing of hydro-electric projects which he says are causing the destruction of the rainforest and the tribal homelands.

Friends of the Earth say that Brazil's power sector has received more than $2bn in loans from the World Bank and the Inter American Development Bank since 1980. A further loan of $500m is to be considered by the World Bank next month.

In addition commercial banks have become directly involved with $750m of co-financing with the World Bank that will go direct to Brazil's electric power sector. This will proceed if the World Bank decides to lend the $500m.

Sir Richard said that an all-party motion will be put down in the Commons calling on Midland and Lloyds banks to stop lending money for schemes that could destroy an area of rain forest the size of the UK and would displace 250,000 indigenous Indians.

Lloyds Bank said yesterday that it was lending "general sums" of money for infrastructure in Brazil, but the World Bank would decide with the Brazilian Government how it would be spent on specific projects.

Midland said: "We know the World Bank has strengthened its awareness of the environmental consequences of the projects it finances. As this is a World Bank project the commercial banks will participate only if the World Bank decides it will go ahead.

In Washington, a World Bank spokesman said the loans were a positive instrument in improving environmental control and protecting the Indians in Brazil. Eletrobras, the public power company in Brazil, was complying with a World Bank condition that it should implement a master plan for the environment.

It was employing 180 environmental experts. The bank was also discussing a specific loan to protect the environment throughout Brazil.

Independent newspaper to print in Frankfurt

By Haig Simonian

THE INDEPENDENT newspaper is set to become the next UK quality daily paper to print in Frankfurt, with a definitive contract due to be signed on Friday.

The Independent has quickly established itself in the UK since its launch two years' ago market. Its German print should start next March or April. The paper intends to produce some 20,000 copies a day in Frankfurt, which will then be distributed throughout contintental Europe and the Far East. US sales will be supplied from London.

The decision to print The Independent in Germany follows the decision by the Guardian to begin printing a 24-page international edition there in mid-September. Its print run has since increased from 16,200 to some 20,000 copies a night.

The precise timing for the start of The Independent's continental printing remains unclear, as some technical problems remain to be solved. In particular, the paper wants to used advanced facsimile transmission equipment in order to transmit pages more quickly.

The Independent intends to start with a 36-40 page edition, but aims at least to have the capacity in Frankfurt available to increase its size to up to 64 pages later, according to local sources.

As with The Guardian, both sales and distribution considerations appear to lie behind the decision to print in continental Europe, a trend among UK papers started by the Financial Times, which started printing in Frankfurt in 1979.

Shimizu launches building robot

By Andrew Taylor, Construction Correspondent

SHIMIZU of Japan, the world's largest construction company, claims to have launched the first construction robot to be used on a British building site.

The radio-controlled power trowl, used to give a smooth finish to concrete floors, showed its paces at a new headquarters building under construction for Laing Homes near Milton Keynes.

Shimizu intends to market the robot in Britain, but has still to decide on a price. It is likely to cost about £30,000.

Japanese construction companies are the world leaders in developing robots for the industry. Other construction robots in the Shimizu stable include Mighty Jack, used to assemble steel beams, and a mobile spray robot used to paint exterior walls.

At least two other Japanese contractors, Kajima and Takenaka, have also developed concrete finishing robots, but Shimizu says it is the first Japanese company to demonstrate one of its machines on a British building site.

Ohbayashi and Takenaka are two other leading Japanese construction groups to have developed robots.

The robot has nine trowels which revolve to produce a fine finish. It is driven by a petrol engine and incorporates sensors which will stop the engine if it collides with a person or obstacle. It is about 2m wide and under 1m high.

Costain group may buy Soviet gas for UK power

By Maurice Samuelson

A CONSORTIUM led by Costain, the UK engineering and minerals group, is considering importing Soviet gas to generate electricity in southern England.

The group, which also includes Combustion Engineering of the US and Northern Engineering Industries of the UK, has had informal talks with the Soviet gas authorities and with other potential gas suppliers in Norway and Belgium.

The gas would be used in a power station planned at Richborough in Kent – one of several recent proposals by private industry to meet electricity demand in southern England in the next decade.

The gas would be brought ashore in a pipeline to be built to a terminal in the Netherlands, the first such scheme to link the UK into the Soviet gas supply network.

Use of foreign gas is being considered because of the traditional reluctance of British Gas to sell supplies for continuous use in power stations.

The Soviet Union already supplies a considerable amount of gas to Western and Southern Europe through the 4,000 km pipelines from the gasfields of Siberia to West Germany.

Costain is believed to have been warned in preliminary talks with the Soviets that the cost might be made unattractive by the high toll charged by Ruhrgas, the West Germany gas utility, for using its long stretch of the main gas pipeline.

Gas industry analysts say, though, that the Germans may have to modify their terms once the European Community demolishes its last economic barriers in 1992.

The gas would be burned at Richborough in a 600 Mega-Watt station close to the present oil-fired station run by the Central Electricity Generating Board. The project would cost about £400m, of which £70m would be the cost of a pipeline from the Dutch coast.

Preliminary talks have also been held with PowerGen, the CEGB successor company.

UK NEWS

Television franchises may be target for newspapers

By Raymond Snoddy

THE GOVERNMENT has apparently left a loophole in its White Paper (policy document) on the future of broadcasting that could allow many national newspaper proprietors to own two ITV franchises each.

Despite expressing an interest in preventing concentration of media ownership there is nothing specific in the document to bar national newspaper owners bidding for regional television licences as long as they are European Community companies and they do not own local newspapers in the franchise areas involved.

The issue was highlighted by Mr Robert Maxwell, publisher of Mirror Group Newspapers on Sunday night in a Channel 4 television debate when he announced that he was going to make a bid for Central Independent Television – which is based in the East Midlands – when the auctioning process begins.

Mr Maxwell has a 20 per cent stake in Central, but the announcement came as a surprise to the company.

Under Government proposals, 10-year licences for Channel 3, the renamed ITV, will go to the highest bidder after applicants have passed a "quality threshold."

In reply to questions about Mr Maxwell's statement on the same programme, Mr Timothy Renton, the Home Office minister responsible for broadcasting said: "Specifically the White Paper suggests that there should be a bar on national newspapers owning national franchises."

Mr Renton added that if Mr Maxwell owned local newspapers in the Central franchise area he would only be able to own a 20 per cent stake. Mr Maxwell does not own any local newspapers in the Central area.

The Home Office confirmed yesterday that there was no absolute barrier in the White Paper to prevent national newspaper proprietors controlling regional television licences.

It was, however, being emphasised last night that further consideration would be given to issues of media concentration and that other broadcasting interests of national newspapers, such as satellite television, could be taken into account by the new Independent Television Commission in making decisions.

At the moment, however, national newspaper companies such as Mirror Group Newspapers, Associated (Daily Mail and Mail on Sunday) and United (Daily and Sunday Express and The Star) could apply for new franchises like any other company as long as there were no overlapping local titles. The same would apply to Pearson, publishers of the Financial Times which already has a stake in Yorkshire Television.

North East Shipbuilders wins stay on decision over future

By Michael Cassell, Political Correspondent

THE GOVERNMENT has postponed until the end of November a final decision on the future of North East Shipbuilders at Sunderland, which employs over 2,000 people.

The unexpected, last-minute reprieve was met with relief by local MPs, trade unions and the workers, who will now intensify their campaign to keep the yards open.

The postponement follows the emergence in the last few days of three possible purchasers for the merchant shipbuilding business, which is for sale as part of the Government's plan to return the state-owned British Shipbuilders to private ownership.

Mr Tony Newton, the trade and industry minister, told the House of Commons that, although he wanted to retain a viable shipbuilding industry on the river Wear, he did not wish to raise any false hopes in delaying the final decision. It was right, however, to make one last effort to keep the business going.

Mr Newton said that three "clear expressions of interest" had been made and that time was being given to establish whether or not any of them could provide a firm basis for negotiation.

One of NESL's latest potential buyers represents overseas interests and another involves a number of individuals and organisations brought together by Mr Bob Clay, the opposition Labour MP for the Sunderland North constituency.

Mr Newton also emphasised that the extra time would enable prospective buyers to learn the outcome of current talks between NESL and Mambisa, the Cuban state shipping company, which could secure a £120m cargo vessel order.

His announcement was welcomed by the Labour Party, although Mr Bryan Gould, the party's trade and industry spokesman, claimed that the future of British shipbuilding was "too important to be sacrificed on the altar of privatisation."

Mr Newton countered by claiming that the Government's task had been to save the industry from "the disaster of nationalisation." The state-owned shipbuilding sector had cost the taxpayer £2bn since 1979, he said.

Archbishop intervenes in P&O dispute

By Jimmy Burns, Labour Staff

AN UNUSUAL sortie into industrial relations was launched yesterday by Dr Robert Runcie, the Archbishop of Canterbury, when he took personal interest in the long-running dispute between the National Union of Seamen and P&O European Ferries, the ferry operator.

Dr Runcie held a meeting in Lambeth Palace with Sir Jeffrey Sterling, P&O chairman, at which the head of the Anglican Communion is believed to have expressed concern at the plight of more than 600 Dover-based seamen sacked by the company last February.

The dismissals arose out of the workers' refusal to accept new working practices which they regarded as unsafe.

Dr Runcie, whose Archdiocese includes the port of Dover, is believed to have agreed to arrange the meeting after being approached privately by Mr Sam McCluskie, general secretary of the NUS, on compassionate grounds.

Mr McCluskie, a practising Catholic, says the sacked seamen deserve continuing support because they went on strike over an issue of public concern.

Neither Lambeth Palace nor P&O would comment on the meeting yesterday, but it appears that any attempt by Dr Runcie to bring about a reconciliation between the company and the NUS, is likely to have been unsuccessful.

Mr Graeme Dunlop, P&O European Ferries managing director, said last night that the company had ruled out providing the sacked seamen with financial compensation similar to that paid out by Mr Rupert Murdoch to printers involved in the News International dispute. Some NUS officials have suggested such a move as a "face-saving" formula.

Mr Dunlop, who ended recognition of the NUS on P&O's Dover-based cross channel operations last April, also ruled out resuming negotiations with the union.

"As far as Dover is concerned there is nothing to talk about with the NUS," Mr Dunlop said.

The company's 11 Dover-based ferries have resumed their cross-Channel operations with an 1,800 workforce drawn from former NUS members and non-union crews.

TECHNOLOGY

A higher spec for the Soviet machine

Nick Garnett reports on the response of exporters to tougher demands from the Soviet Union

The will for change in the Soviet Union might be great at the top, but the overthrow of entrenched habits is going to be a long, grinding process. The use and manufacture of factory production equipment is an example of how painful and slow that change in behaviour is likely to be.

Soviet factory managers are now seeking more sophisticated machine tools and more computer-controlled manufacturing systems. This is becoming obvious to machine exporters to that country. But the ability of the Soviet Union's indigenous machine tool industry to meet its own production and quality targets for the latest computer-controlled machines is still compromised by deep-seated inefficiencies.

Last year, the Soviet Union, the world's largest consumer of machine tools, imported $1.6bn worth of them, a figure only exceeded by the US.

And it is going for more complex machinery. "The Soviet Union is undergoing a tremendous change. It is becoming very customer conscious," says Jost Prescher, head of the East German Government's export-import agency.

Because factory managers now have to purchase production equipment from their own profits, they are looking for better value for money. "Tailor-made solutions are becoming more prominent," he says.

East Germany and West Germany have for the past few years vied with each other to be the biggest exporter of cutting machines, presses and injection moulding equipment to the Soviet Union, which consumed $5.3bn of metal-cutting machine tools in 1987. That was between $1bn and $1.5bn more than each of the next three countries in the consumption league (West Germany, the US and Japan) and five times more than the UK.

The Soviet Union's machine tool production industry had total sales last year of $4bn: only West Germany and Japan were bigger. But it suffers from serious quality and production problems and has only limited access to advanced machine controls.

Despite these difficulties, Prescher says that the system whereby each Soviet industrial sector has its own dedicated machine tool factory supplying many of its machines – whatever the quality – is unlikely to break down.

He is careful to be diplomatic when talking about the Soviet market – not surprisingly as machine tools account for 12 per cent of East German exports to the Soviet Union.

The US publication, American Machinist, is more direct in its chronicling of the headaches experienced by the Soviet machine tool industry. It reports, for example, that for the first nine months of last year, production of metal-forming machines was running at only 87 per cent of planned output, one of the poorest performances among Soviet industrial sectors.

Mikhail Gorbachev, the Soviet leader, set up a super ministry for machine tools in 1986, but the American Machinist says, in its world machine tool study, that few signs of improvement in domestic production appear to be emerging.

Soviet business publications have carried a welter of complaints about the country's machine tool makers' failure to deliver new digital computer controlled equipment. More than 60 per cent of machine tool factories were failing to hit production targets.

One development that has made an impact is a new system of state quality control inspectors. The trouble is that they have been so assiduous, rejecting far more machines than before because of quality defects, that this has further slowed deliveries to factories.

The Soviet Union is by far the biggest market for the East German machine tool industry – much larger than its domestic one. Thirty per cent of machine tools imported into the Soviet Union come from East Germany. The question is: can this position be maintained as Soviet requirements become more demanding?

Already, the Soviets are more likely to import sophisticated machines from outside the Eastern bloc. Many West German machine tool makers say they are experiencing a big increase in Soviet inquiries for more complex cutting machines with high-specification controls.

A few of them are questioning whether they can meet some of these requirements without breaching the rules on technology transfer to Eastern bloc countries set by the Paris-based Co-ordinating Committee for Multilateral Export Controls (Cocom).

Machine tool companies remember last year's punitive action taken by the US against Toshiba of Japan and the now-defunct Kongsberg Vaapenfabrikk of Norway. This followed the supply of advanced milling machines, which dramatically improved propeller blade technology and hence the silent running of Soviet submarines.

Prescher remains confident about East Germany's prospects: last year the output of its machine tool industry, at $1.3bn, ranked it seventh in the world, ahead of the UK and France. It was the world's fourth largest machine exporter.

"As far as commercial policy is concerned, we are no longer suppliers of bread and butter machines," he says. "Our technical policy is geared to our customers. We cannot help but do this. If you want to earn money you cannot compete with new supplier nations which have good standard machines. We are not prepared to go with prices where we cannot earn money."

Prescher claims that the country's machine tool product range is replaced every three and a half to four years and that it covers 35 per cent of the world's complete range.

Before the Second World War, a great deal of the German machine tool industry was based in what is now East Germany. Some companies fled west before the end of the war, but many remained. Although many of the factories now look grim, the legacy remains of a strong machine-tool tradition and quite a powerful infrastructure.

Jost Prescher, head of East Germany's export-import agency

The industry, which employs 70,000 (including foundries), has its own Government minister. Its 42 machine tool factories are organised into four "Kombinats", called Erfurt (sheet-metal forming and injection moulding), Schmalkalden (borers, milling machines), Heckert (cutting machines for angular parts) and Seventh of October (grinding, gear cutting and other equipment for machining round parts).

Each factory has only one or two product lines to help concentrate research and investment. The industry spends 5 to 6 per cent of sales on research and development.

There are also two factories making electronic controls, one part of Heckert making 8,000 numeric controls a year, according to Prescher, and another in Erfurt making more standard controls for presses and injection moulding machines.

East Germany also makes its own computer chips, and 70 per cent of its metal-cutting machines are fitted with computer numerical controls.

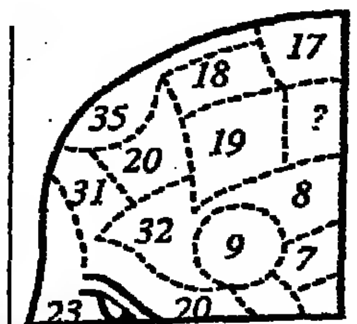
But the country shares one technological handicap with the rest of the Eastern bloc. This relates both to machine controls and to the host computers which link several cutting machines in flexible manufacturing systems (FMSs).

Its machine controls tend not to satisfy customers outside the Eastern bloc; and the ones it buys in – from Siemens of West Germany, NUM of France and Gefran of Italy – are often not the most sophisticated.

For FMSs, the East Germans use the domestically produced Robotron host computer, or microelectronics from the Soviet Union or Czechoslovakia. But these do not come up to the standards required by Western customers. They prefer a computer from Dec, Siemens, IBM or other manufacturer with which they are familiar.

The problem with this is that the East German machine tool makers have to import these Western computers and hook them up to the FMS machines for design and testing before the system can be exported. Cocom, however, prevents the large-scale importation of these computers into East Germany.

Until these technological discrepancies are sorted out, the strength of East German exports of machine tools (60 to 70 per cent of production is exported) is likely to remain in supplying the rest of the Eastern bloc, rather than in improving the figure of between 10 and 15 per cent sold to the West.



WORTH WATCHING

Edited by Geoffrey Charlish

Laser helps drive away vibration

AUSTIN Rover, the UK car maker, used a laser-based system called ESPI (electronic speckle pattern interferometry) to track down sources of vibration in the new Rover 800. The result, it is claimed, is a quieter car than the Legend, the Japanese-built version of the vehicle.

The system, in use at the company's Gaydon proving ground, near Banbury, is able to show how a body panel, for example, vibrates at various engine speeds. A picture of the amount of vibration at all the points on the surface is produced as a colour television image on a monitor.

The processed video signal is also turned into a paper print, in less than two minutes, by a Hitachi video printer. By using the "freeze frame" facility of the printer, a picture can be "grabbed" at whatever moment the engineers choose. This means that the effectiveness of a modification can be checked quickly. Previously such work involved photography and film development.

Austin Rover's laser technique employs earlier work at Loughborough University. The whole test surface is illuminated with laser light. Such light is of a single colour (wavelength), whereas ordinary daylight contains many wavelengths.

The light can be thought of as a wave approaching the car panel, rather like a wave hitting the promenade at the seaside. The sea wave is reflected, but if the sea wall could be moved back and forth, the peaks and troughs of the reflected wave would be modified.

This "phase" modification in the light is detected on the television camera's picture sensor by comparing the reflection with an unmodified "reference" wave, which shines on the sensor. The comparison enables subsequent electronics to gauge the movement of the panel and produce corresponding areas of colour.

Filtering wine through fibres

CLEARER wine with a better flavour can be produced efficiently with a filtration system offered by Rohm and Haas, the West German chemicals group.

Vineyard owners in Germany are enthusiastic about hollow fibre filtration, a 15-year-old idea which has recently been made commercially viable by Romicon, a US subsidiary of the German company. St George's Vineyard in Sussex is the first English user.

The filter consists of a large number of hollow fibres made from polysulphone, an inert plastic. A proprietary manufacturing process produces a thin fibre wall that will pass fluid but block even the finest particles (down to one ten millionth of a metre).

Unclear fluid enters at one end of the fibres and, with appropriate pressure, small amounts are filtered through the large surface area presented by the many tube walls. Fluid with an increased concentration of solids leaves the fibres at the other end. The product can be recirculated to generate a concentrate of the solids on one side and additional clear fluid on the other.

Other uses are being exploited in dairies, clear juice production, water purification and waste disposal.

Traditionally, vineyards have used settling out under gravity, or a centrifuge, to clear the unfermented juice. The production of a clearer juice with hollow fibre technology gives slower fermentation and a better flavour, it is claimed.

In the UK, the system is available from Karl H. Johner of Tenterden, Kent.

Program for sharper photos

ADDITIONAL automation for consumer photography appears on almost every new camera. Features found originally on pocket cameras with optical viewfinders, like autofocus, are nowadays offered on the 35 mm SLR (single lens reflex).

And the computer plays an increasing part. For example, a new model from Minolta, of Japan, uses an optical autofocus system and a shutter that are software controlled to cope with moving subjects.

The system makes a distance measurement 30 times a second and uses the data to calculate the speed of the subject towards or away from the camera. Then, it can predict where the subject will be in the time the autofocus takes to function.

In sports photography, in particular, it can be difficult to get a sharp picture because by the time the focus is set and exposure made, the subject has moved on.

If a telephoto lens is in use, the computer will also choose a fast shutter speed to counteract camera shake.

To make life even easier, "creative expansion cards" can be plugged into the side of the camera for particular kinds of photography, such as "landscape", "portrait" and "extreme close-up".

The Minolta Dynax 7000i costs about £400.

Cooler melting for solders

IN ELECTRONICS manufacturing, there can be a need to remove the components from a printed circuit board (PCB) for re-use. In some cases, the components can be damaged by the heat absorbed from either a soldering iron, or a de-soldering bath.

Mining and Chemical Products, of Wembley in the UK, says the problem can be solved by floating the PCB on a small bath of a specially formulated, low-melting-point alloy. Melting at a safe temperature of 58 deg C, this alloy forms a mixture with the lead and tin in the soldered joints.

The solder is absorbed, at the lower temperature, leaving the components unharmed and free to be withdrawn from the board.

CONTACTS: Austin Rover: UK, 0926 641111. Hitachi: London office, 848 8787. Rohm and Haas (UK): London, 785 3482. Karl Heinz Johner: UK, 05806 3930. Minolta (UK): 0908 211211. Mining and Chemical Products: London, 902 1191.

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Co-operatives

Getting the finances right

Charles Batchelor reports on Paperback's strategy of commitment with profit

Frank Broughton, co-founder of Paperback, a small co-operative supplying recycled paper and stationery, was given some simple but effective business advice on a Campaign for Nuclear Disarmament (CND) march. "I bumped into someone who said co-ops often fell down on the financial side and that we must get the money right," he recalls.

In the four years since Paperback started up from a cramped warehouse in Hoxton, East London, the company has done a lot to dispel the image of co-operatives as businesses run by well-meaning idealists with little grasp of the commercial realities. It is one of a growing number of co-ops to be launched in recent years which have combined commitment with profit.

"We were determined the business would be run in a way which was seen as efficiently alternative," says Broughton. "We did not want our image to be one of beards, bells and sandals."

It is by no means certain that the new breed of co-op will survive the growth pains which in the past have often led to business failure or to a break-down of the co-operative principle; but many have started out strongly.

In 1987 Paperback made a profit of £16,500 on sales of £314,000 but it is forecasting profits of £87,000 on sales of £1.8m in 1992. It recently moved to roomier premises in nearby Bow and is taking on three more employees, making a total of ten.

Following the advice he was given at the CND rally, Broughton and his fellow managers last March announced plans to raise £50,000 through a loan stock issue carrying a minimum 6 per cent rate of interest. These loan terms were intended to appeal to the committed rather than the purely commercially-minded investor but the target amount was reached in just four months.

As a co-op set up under the rules of the Industrial and Provident Society, Paperback is required by law to have seven members. All seven put in funds to get the company going but four are effectively sleeping partners with the business run by Broughton, a former primary school teacher; Jan Kuiper, a Dutchman who started out as an English teacher; and Michael Webb, formerly a marketing manager with Whitbread, the brewer.

Paperback's members do not like the titles associated with conventional business so Broughton describes himself as co-ordinator rather than managing director. As co-ordinator (a job subject to annual re-election) Broughton looks after the finances and office management. Kuiper is in charge of technical matters while Webb handles sales and marketing.

So far, Broughton says, the decision-making process has been relatively simple since only small numbers of people have been involved. But it may become more tortuous as the company grows and more employees become members. New employees must be with the company a year before they can become members and play a fuller part in decision-making.

Operational decisions are taken at the weekly management meetings but broader issues of policy are discussed at monthly meetings of members and other employees. Voting at these meetings is restricted to members though only one issue, pay, has gone to a vote in the past three years, says Broughton.

Deciding what is a policy issue and what is a management issue is not always simple, Broughton concedes. Questions about how to handle an advertising campaign or develop a new product clearly require a management decision, however.

A recent issue treated as policy was overtime. At a full meeting of employees and members it was decided that the fairest thing to do would be to pay basic rate.

Does this need for agreement slow down the way Paperback does business? As far as the customer is concerned, it does not, claims Broughton. "While we are not focused solely on making money we regard the sales effort as crucial and we will drop everything to get an order out," he says.

The members and other staff decided against paying the same wages to everybody, as some co-ops have done, but to pay "the rate for the job." The highest salary, however, is limited to twice that of the lowest paid worker. Salaries range from £7,500 to £12,000 though Broughton accepts this is far less than the senior people could earn in a comparable conventional business.

Paperback does not go out of its way to publicise the fact that it is a co-op since it is aware that this might put off some customers. But neither does it hide the fact. Early publicity described it as "a workers' co-operative", though this has now been replaced with "a co-operatively run business."

Some of its customers were not aware that Paperback was a co-op when they started doing business with it. Ai-Lin Tan, finance director of Grower Publications, a publisher of horticultural books, says she now knows Paperback is a co-op but Grower's reason for using it as a supplier was that it provided a very good service. David Pearson, a director of Gaia Books, another Paperback customer, describes the co-op as very responsive to its smaller customers' needs.

Paperback's five-year development plan envisages the company taking on 17 more employees though this estimate may be on the low side given the company's rapid growth in 1988. Expansion will mean management having to delegate more and management structures may have to change, Broughton says.

He believes Paperback will survive the process. This is likely to mean some difficult decisions on how the company is run and how much its members pay themselves. Subscribers to the co-op's loan stock may find their commitment to alternative investment tested in the years ahead.

Tony Andrews

L to r: Frank Broughton, Jan Kuiper and Michael Webb — determined the business would be "run in a way which was seen as efficiently alternative"

'Negative' v 'positive' start-ups

THE SHARP rise in start-ups in Britain in recent years may reflect higher levels of unemployment rather than the flowering of an enterprise economy, a new study* of manufacturing start-ups suggests. Higher levels of start-ups may also owe less to the expansion of the Government's small firm support schemes than has been claimed.

These are among the conclusions of a study carried out in South Hampshire by Colin Mason, lecturer in economic geography at the University of Southampton. Mason compared the results of a review he carried out in 1981 of new businesses set up in the 1970s with a more recent study of companies set up in the 1980s.

Forty two per cent of the people who set up in business in the 1980s were motivated by negative considerations such as redundancy or the failure of a previous business, compared with 6 per cent in the 1970s.

Conversely, 60 per cent of the 1970s entrepreneurs were motivated by positive factors such as the identification of a market opportunity compared with just 14 per cent in the 1980s. Previous studies have suggested firms started for negative reasons grow more slowly and are more likely to fail, Mason notes.

There was no evidence that raising start-up finance has become any easier in the 1980s despite the introduction of the Loan Guarantee Scheme.

However, in the short term at least, the companies set up in the 1980s are making a larger contribution to the economy. They employed more people (14 on average) and achieved higher turnover levels (£388,000), after allowing for inflation, than their 1970s counterparts (12 employees and £164,000 respectively).

Businesses set up in the 1980s may therefore make a significant economic contribution despite the fact that many have been started in unfavourable circumstances, the report concludes.

**Explaining Recent Trends in UK New Firm Formation Rates; Evidence From Two Surveys in South Hampshire*. From Urban Policy Research Unit, Geography Department, The University, Southampton SO9 5NH. £5.

CB

No licence to print money

Charles Batchelor on the difficulties involved in setting up a franchise in Portugal

Like many other British visitors to southern Europe, Terence Sweeney and his wife Olga were taken with the idea of running their own business in the sun.

They sold their health club in Fareham, Hampshire, and, after spending three months in Portugal researching the market, decided in the middle of last year to open a quick print shop in Faro on the Algarve.

Eighteen months on, Sweeney, who is 53, has finally established a thriving business under the Prontaprint franchise supplying local hotels, professional people and holiday companies with printed stationery. But his experience of setting up in Portugal has left him disillusioned.

"Life in a place like this may look as though it consists of sunshine and a relaxed atmosphere but setting up in business here is a lot of hard work," says Sweeney.

He acknowledges that many of the problems he faced would apply as much to a local entrepreneur setting up as to an expatriate but he still feels disappointed that the creation of the European Community has done so little to harmonise business procedures.

People with experience of doing business in Spain and Portugal feel, however, that entrepreneurs like Sweeney often underestimate the differences in style between northern and southern Europe. The new businessman should try and work with the system as it is rather than confront it, they urge.

Sweeney, who put £125,000 of his own money into getting the business started, took advice on setting up from the London office of one of the Portuguese banks and from Prontaprint's master franchisee for the Iberian peninsula based in Madrid.

He has since fallen out with Prontaprint's Madrid representative, who he feels was not very helpful. But he says his first criticism is of the over-optimistic claims made for Portugal by the Foreign Investment Institute, a Lisbon-based government agency which helps incoming business-people.

The institute lists among Portugal's attractions a favourable investment environment, generous incentives and an adaptable, skilled workforce. Sweeney dismisses these claims as "rubbish". Government bureaucracy is slow, he says. It takes time and a lot of form-filling to get grants, while, on the Algarve at least, skilled workers are hard to find. It took six months, from August 1987 to February 1988, and £10,000 in legal and other fees to set up a limited company, Sweeney says.

Sweeney's lawyer sent his application for a grant to help finance the new business to the wrong government agency in error; this led to the shop opening before the application had been filed. Sweeney was therefore no longer eligible for a start-up grant but for a smaller grant which, after four months, has still to be approved.

Ronnie Price, the director general of the Portuguese Chamber of Commerce and Industry in the UK, which acts for the Foreign Investment Institute, agrees that procedures and bureaucracy in Portugal can be frustrating for the foreign businessman keen to get started but says that they are designed to protect the bona fide businessman.

He points out that the institute recently brought in a 60-day rule, which puts pressure on the civil servants to review an application within that time or it goes through automatically.

Nevertheless, Price says: "If you try to fight the system you simply end up alienating people."

Even when Sweeney had obtained the approvals he needed and started up, his problems with the authorities were not over. The tax authorities took several months to acknowledge that they owed a large VAT repayment on equipment which Sweeney had imported into Portugal.

However, before the department would agree to release payment, Sweeney had to provide a bank guarantee, at his own expense. This was necessary, Sweeney, says, to show that if the tax department later discovered it had made a mistake, Sweeney had the means to pay it back.

Taking out a franchise from a well-known company in the quick print field would be an enormous advantage, Sweeney felt. But he has had several disagreements with Tom Holmes, Prontaprint's Madrid representative, and feels that effectively he set up as a sole trader.

As the first Prontaprint outlet in Portugal (there are 20 or so shops in Spain) Sweeney feels the company was wrong to claim, in an introductory video, that it had an operation in Portugal. Holmes counters that Sweeney knew he would be the first outlet before he signed anything and that, for this reason, the payment of several thousand pounds in fees has been waived until the business gets going.

Holmes says his operation in Madrid is intended to help local entrepreneurs go into business, not to assist expatriates unfamiliar with the local customs and language to come into the country. Nevertheless, he says, everything was done to help.

"One has to accept that it will take time to move in and that it can be difficult to do business where the infrastructure does not exist. You must be tenacious but tolerant in dealing with the bureaucracy."

Despite his early difficulties Sweeney says his business is now doing well and turnover has reached £1,000 a week. A quick print shop fulfils a real need in an area where local printers typically quote six to eight weeks for a job.

Despite his success Sweeney feels disillusioned with the process of setting up abroad. "My wife and I came here as responsible people not as carpet-baggers," he says. "We've weathered it but I want to stop other people thinking it's an easy life in the sunshine."

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FT LAW REPORTS

Husband is bank's agent

BARCLAYS BANK plc v KENNEDY AND ANOTHER
Court of Appeal (Lord Justice Purchas, Lord Justice Taylor and Sir Gervase Sheldon): November 10 1988

A HUSBAND who charges the matrimonial home to the bank subject only to his wife's signature, acts as its agent in persuading her to sign if the charge is in its interests and the task of persuasion is left to him. The bank must therefore bear the consequences of the husband's conduct if proper investigation of the evidence shows that the signature was obtained by misrepresentation or undue influence on his part.

The Court of Appeal so held when allowing an appeal by Mrs Naula Kennedy against a possession order made by Judge Krikler in the Willesden County Court, to the extent of ordering a retrial of misrepresentation and undue influence issues affecting her in an action by Barclays Bank plc against her and her husband, Mr Terence Kennedy.

LORD JUSTICE PURCHAS said that Mr Kennedy was employed by or associated with a Mr John Dempsey, in the business of selling insurance. Mr Dempsey was associated with a Mr Patrick McLaughlin, a solicitor's clerk.

The bank was involved in Mr McLaughlin's various activities. Mr Dempsey, on the introduction of Mr McLaughlin, opened a personal account and a business account with the bank. On the personal account the bank afforded initial facilities in the region of £16,000 against promises that moneys due from a property transaction would be paid into the account. Within a few months the bank became disenchanted with the manner in which Mr Dempsey was conducting his account, and brought pressure to bear on him.

Mr Dempsey's financial survival was of importance to Mr Kennedy. He had spent 12 months in prison for conspiracy to defraud, and continuing gainful employment was of the greatest importance to him. The bank manager had already been introduced to him as someone authorised to transact business on Mr Dempsey's behalf. At no time did Mr Kennedy or his wife have an account with the bank.

By July 1982 the overdraft on Mr Dempsey's personal account was standing at about £20,000.

On July 23, according to Mr Kennedy's evidence, Mr McLaughlin and a Mr Ganley had assembled staff at Mr Dempsey's business premises. They stated that a package had been arranged to rescue the business, and asked if anyone could produce the money to settle Mr Dempsey's account with the bank. After a great deal of pressure Mr Kennedy agreed to guarantee the indebtedness and secure it on his house. He was assured the charge would be required for only about four days until Mr Ganley produced funds.

Mr Kennedy went immediately to the bank to discuss the matter with the manager. They signed or executed a guarantee and charge on the house. It was a Friday.

It was made clear by the manager that the signature of Mrs Kennedy, as a person in occupation of the property, would be required. The first she knew of it was at about 3 o'clock the following Monday afternoon when, in a great hurry to arrive before close of business, she and her husband went to the bank where she executed the charge and signed a copy of the guarantee.

On March 11 1988 Judge Krikler made an order for possession of the house against Mr and Mrs Kennedy, in the bank's favour. Mrs Kennedy now appealed.

The issues on the appeal were whether Mr Kennedy was acting as agent for the bank when he persuaded his wife to attend its premises and sign the charge; and whether she acted as a result of his undue influence.

Judge Krikler heard evidence from Mrs Kennedy that at 3 pm on the Monday her husband had asked her to go to the bank to sign away the house. He told her the police would be called to investigate Mr Dempsey and he would be out of a job. She was frightened of the police. She was told the charge was only going to be for four days, and that Mr Ganley was going to save the business. She was not happy about it but she did not have much time, and believed it would save her husband's job. She would not have done it had she know that the charge would last for more than four days.

The judge found that Mr Kennedy was not acting as agent for the bank. He said that on the Friday the bank had told Mr Kennedy to "go home and discuss the matter with his wife over the weekend", and that no actual or ostensible authority was given to him to act on its behalf – it was a "situation of a husband asking his wife for assistance."

That did not reflect the evidence.

The evidence was that Mrs Kennedy's attendance was a "formality". It established that on the Friday, subject only to obtaining her signature, the transaction was concluded.

The bank required her signature to secure its position against her interests as occupier. It was very much in the bank's interest to get an effective guarantee of Mr Dempsey's unsatisfactory overdraft. It was equally to its interest to obtain security for that guarantee in the form of the charge which would not be fully effective without the wife's signature.

The overwhelming inference drawn from the evidence was that all had been agreed between the husband and the manager on the Friday, and that the manager left it to the husband to persuade the wife to come to the bank on the Monday to execute the charge and sign the guarantee.

Had the position been "discuss the matter with the wife over the weekend" it was unlikely the parties would have actually executed the guarantee and the charge until it was known, as a result of the weekend discussions, that the wife would consent to being a party.

In *Midland Bank v Sheppard [1988] 2 All ER 17* Lord Justice Neill said "the court will not enforce a transaction at the suit of a creditor" if he entrusted the task of obtaining the debtor's signature to someone whom he knew to be in a position to influence the debtor "and who procured the signature of the debtor by means of undue influence or by means of fraudulent misrepresentation."

In *Avon Finance [1985] 2 AllER 281* where a son undertook to procure execution by his parents of a legal charge on their property, it was held that as the bank "left everything" to him to arrange for its benefit, it must abide by the consequences of his fraudulent conduct.

In *Kingsnorth Trust [1986] 1 WLR 119* Lord Justice Dillon said that well-established authorities showed that if a husband's creditor wanted security for his indebtedness, and entrusted to him the task of obtaining execution of a guarantee or charge by his wife, "then the creditor can be in no better position than the husband himself".

In the light of the authorities, the judge misappreciated the position between the bank and Mr Kennedy when, on the Friday, Mr Kennedy left for the purpose of obtaining his wife's signature. Clearly the manager left it to Mr Kennedy to obtain his wife's presence at the bank to execute or sign the charge.

There were areas of evidence with which the *judge did not* deal, and which examination of witnesses did not really cover.

Although Mr Brilliant submitted that Mr Kennedy directly misled his wife on the basis that the charge was only to be for four days, there was no finding on that question. It was impossible on the evidence to infer that he deliberately misled his wife.

As to undue influence, no one investigated why Mr Kennedy postponed discussion with his wife until 3 o'clock on the Monday. There might be a perfectly reasonable explanation for his failure to mention the matter over the weekend. But if he deliberately postponed the *question of* signature until the last minute and then put pressure on her on the basis that it was to preserve his job, there must at least be a case to be investigated that he might have railroaded her into agreeing to sign.

Much would depend on examination of those facts. It would be dangerous to draw any adverse inference against Mr Kennedy where there had been no proper investigation.

The appeal was allowed to the extent *that a retrial* was ordered before a different judge, limited to the issues of misrepresentation and undue influence as affecting the wife.

Lord Justice Taylor and Sir Gervase Sheldon agreed.

For the wife: Simon Brilliant (Curry Littlejohn)
For the bank: Phillip Shephard (Harry L Aikin)

Rachel Davies
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ARTS

Shostakovich

FESTIVAL HALL

With Sunday's concert the "Music from the Flames" series on Shostakovich approached white heat. The Fourth Symphony was one of those major works conceived at crisis point in the 1930s, when Stalin bore down upon the arts with his policy of "social realism." The symphony was suppressed and did not receive its first public performance until as late as 1961 when it was conducted by Kondrashin. Among the audience was Vladimir Ashkenazy.

Within a matter of months of the première Kondrashin had put the work on record and it is the sound of that performance, with the tumultuous and dissident onslaught of Shostakovich's most massive symphony orchestra straining to make itself heard through the primitive Melodiya recording, which has perhaps been the formative influence on how we expect this music to go. Certainly no other performance has had the same whiplash ferocity.

Now Ashkenazy himself is on the podium. The rigour of Kondrashin's interpretation, in which violence alternates with a frightening coldness of emotion, has given way to something a little more human: there is a rounded blend of sound in the Royal Philharmonic strings and brass that is a resident source of warmth in itself and Ashkenazy's ability to tease lyricism out of the smallest phrases offers moments of balm, however fleeting.

To suggest that the power of the symphony had thereby been diluted would, however, be unfair. Its great, sprawling first movement, which can so easily become a disjointed queue of big moments, was confidently bound by Ashkenazy into an ongoing stream of concentration, with woodwind solos being brought forward and brass restrained so that the most cataclysmic tuttis, when they did come, would strike with their fullest ear-shattering force.

Nor were the other two movements any less impressive. The whole score had clearly undergone a study of formidable thoroughness on the part of both conductor and orchestra to reach this level of music-making, sustained over the duration of so long a work. Together with Tilson Thomas's LSO *Ein Heldenleben*, it ranks as one of the two most memorable performances by a London orchestra under its Music Director that I have seen this year.

In the first half Itzhak Perlman offered the same composer's First Violin Concerto. Here again it would be possible to argue for a more detached style of Shostakovich playing, less rich in tonal refulgence, less generous with its sweetening portamenti. But faced with musicianship on this outstanding level, one would be unwise to do anything other than sit back and enjoy what was by any account an inspiring performance.

Richard Fairman

Solti's Bartók

FESTIVAL HALL

At its half-way point the Bartók series under Solti is certainly proving most rewarding. Although none of this composer's large-scale pieces has fallen into neglect, that does not mean that a retrospective of the right kind has nothing to tell us: Solti, with his lifetime's absorption in this music, is presently achieving just that by taking his listeners beyond the surface attractions of Bartók's style to the deeper emotional impulse that lies below.

In this, the third of the concerts, the only reservation was ironically that the surface detail had not always been given sufficient attention. Though always vibrantly alive, the playing of the London Philharmonic fell technically below the best the orchestra had attained of late. Ensemble was less than immaculate and in the almost neo-Baroque world of the Third Piano Concerto there was not the clarity of definition that this kind of writing demands.

Nevertheless, a strong and incisive contribution from Dezso Ranki, one of the three Hungarian pianists Solti has brought to London for this series, restored the balance. This is not a virtuoso concerto and Ranki did not play it as such. One might elicit a little more poetry from the score (as Geza Anda used to) but by and large Ranki gave us a fine, idiomatic performance, cleanly articulated with just enough Magyar fire in the rhythms to remind us of the music's roots.

Of that, too, Solti himself brought a generous supply for the two orchestral works of the evening. The concert had opened with a brutally powerful account of the Suite from The Miraculous Mandarin: not merely a blaze of orchestral virtuosity but a more instinctive kind of interpretation, in which the pounding rhythms and unrelenting violence seemed to unleash the very demon spirit from the score.

An unaccustomed strength of feeling also informed the Music for Strings, Percussion and Celesta. That ability to sense the underlying impulse and to build from it climaxes of unsuspected power is a hallmark of Solti's Bartók and it was heard at its most cogent and compelling in this performance: if only the strings, in those isolated passages of the first and third movements, had been at one in intonation and ensemble.

Richard Fairman

The FT Arts Lecture

The Financial Times Arts Lecture this year will be given by David Puttnam, one of Britain's most active film producers, responsible for *Midnight Express*, *The Killing Fields*, *The Mission*, *Local Hero*, etc.

The lecture will take place in London on Wednesday, November 30, at 7pm at the Barbican in Cinema 2. A limited number of free tickets are available to FT readers (maximum of 2 per application).

For tickets, send a stamped addressed envelope to: Kiki Chandaria, Arts Lecture Special Offer, Public Relations Department, Bracken House, 10 Cannon Street, London EC4P 4BY.

Diverse British bedfellows

William Packer reviews exhibitions at Agnew and David Messum

Modern British is a blanket term of ample generosity that covers in apparent comfort the most diverse bedfellows. The foot of the bed is set somewhere around the onset of modernism some 100 years or more ago, but the fringe of the bedspread may well fall beyond it towards the floor. And as for the other end, where we pull it towards us to tuck under the chin, that line too is infinitely adjustable and shifts ever nearer.

The rough rule is that any artist active in that time may climb in beneath it just so long as he is dead. But with the blanket currently trimmed to fall either side of 1960, or thereabouts, actual death becomes too harsh a qualification: one hardly cares to describe the earlier work of those artists happily still with us as that of the living dead. Modern British Art is what you say it is, rolling over the while and giving the bed-clothes another hearty tug. Only never be surprised at what you discover, nor astonished by whom you surprise.

Quite what foreign collectors make of it all is hard to say, but with the revival of domestic critical interest over the past 20 years, sustained by a significant number of prescient dealers — d'Offay, Parkin, Jason, Fine Art Society, Pyms, Garton, Mercury, Piccadilly and many others — the market in Modern British is as active and buoyant as any. Prices climb ever higher, bargains grin at us like the Cheshire Cat, and we are left to regret all our opportunities lost.

The point is well made at Agnew (43 Old Bond Street W1: until December 9) where a strong and various exhibition covers the field, with prints and sculpture besides painting and drawing. It has the nerve to propose 1968 as its later limit, but effectively observes the decencies, and is full of things of the highest quality. Camden Town, Gilman especially, with a rich and close-toned London Street under snow, is strongly represented. So too are Sickert, Steer and Lucien Pissarro.

A tiny, important and entirely ravishing painting by Gwen John, of a girl sitting quietly with her book, has been lent for the occasion. And there are a number of drawings by her brother, Augustus John, supposedly less distinguished, that remind us forcibly of his quality. His star perhaps is rising once more, as it should. In the corner on the stairs hangs a half-length portrait of a young woman, as strong and straight-forward in observation as in execution, by William Rothenstein, a painter for too long not so much under-rated as forgotten.

Such treats continue throughout, a Wadsworth here, an Innes or a Bevan there, but more intriguing still perhaps, in the light of our preamble, is the work of artists active within the past 50 years, including some still very much alive. There are good examples of Ivon Hitchens in mid career — another artist too easily neglected — late Jack Yeats and early, romantic Alan Reynolds in the orchard, all from the 1950s. The Neo-Romantics get stronger by the week, among them Minton of course, and Michael Ayrton. Keith Vaughan and John Craxton are represented by work of the 1940s and both are currently undergoing significant critical revival with Craxton, at least, alive and active at a mere 66 to enjoy the process, as witness his recent show at Christopher Hull. It is good, too, to see William Brooker and Julian Trevelyan, who were so nearly still in the same case.

John Piper is perhaps the most conspicuous of the more venerable survivors, but Richard Eurich, Ruskin Speer and Robert Buhler are no less well represented and distinguished in the company. Ken Howard, on the stairs, shows a recent studio interior to maintain the show's technical temporal veracity. But for me the great surprise of the show, and a great pleasure too, is supplied by the large nude from the mid 1950s that commands the entrance gallery, an essay in the reclining figure in the grand manner by John Copnall. For Copnall, though he has continued to draw from the model, "went abstract," as the old phrase had it, these many years ago, of which commitment he remains an active and distinguished exponent.

*

With *British Impressionism: les petits maitres* (34 St George Street W1: until December 5), David Messum takes this game of categories, which can mean what you want it to mean, a stage further. As a dealer he has been as instrumental as any in re-establishing the market in the Newlyn School of late Victorian and Edwardian times, with its connections in Scottish and Irish painting of the period, which lately has taken off so spectacularly. What more natural then than to follow through to the Georgians, and if the artists grow ever more minor and obscure as their betters are picked off, the work is nonetheless decorative and attractive.

If the work does hold together in even the loosest way, the clue lies in the title and the sense it gives of the generalised influence and afterglow of Impressionism, though Messum is happy enough to stretch the point with a touch of Bloomsbury post-impressionism from Duncan Grant and Vanessa Bell. To add Frank Dobson, let alone Keith Vaughan and John Piper, is perhaps to stretch the immediate point a shade too far, but "Modern British" covers all. Do we allow Steer and Matthew Smith, or even Lavery and Laura Knight as mere "petits maitres"? It seems a shade dismissive, though the representation might be in comparatively minor works. Never mind: there are many lovely things, no matter whether the artists are obscure or not — Tuke, Lamorna Birch, Senior, Clausen, Robb and Walcot, Proctor, Harvey and Theodore Roussel.

Finally, a mere mention of the annual exhibition of the New English Art Club at the Mall Galleries (Carlton House Terrace, The Mall SW1: until November 19), which is as dense and mixed as such open submissions always are. But as always there are good things to be searched out with a critical eye — from Bowyer, Howard, Dunstan, Diana Armfield, and so many others: the Modern British alive and well.

"Dorelea" by Augustus John. Pencil on paper, 1910

The 1988 St Louis Opera Theatre season

Andrew Porter reflects on the company's strengths and weaknesses

The Opera Theatre of Saint Louis maintained its usual, and successful, pattern this year: six weeks with a Mozart; a new opera; an unfamiliar opera; and a standard opera. The Mozart was *La finta giardiniera*, done in the version that Edmund Tracey prepared for the English Music Theatre Company 12 years ago.

The *Giardiniera* is an unusual *dramma giocoso*, shot through with streaks of violence. Before curtain rise, the hero has stabbed the heroine and left her for dead. In Act 2, a rival has the heroine abducted and carried off into the forest to be devoured by beasts of prey. The stress of emotions drives both heroine and hero mad, and they seek refuge in pastoral and mythological delusions. High passions appear within a conventional opera-buffa framework: the resourceful comic servant wooes the soubrette, while she sets her cap at the buffo.

All ends happily, of course. The original setting of the libretto by Anfossi, in 1774, tuneful and pleasant, was widely performed. When Mozart set the text a year later he went deeper, responding to the strangeness of the stuff with searching and beautiful music — inventive in its vocal gestures, harmonies, rhythms, and instrumental colours. Some modern productions — such as Robert Carsen's for the Park Lane Group, at the Camden Festival two years ago — have explored those levels.

But Nicholas Muni's production, at *St Louis*, remained *on* the cosy, amusing level of traditional comic-opera behaviour, larded by some tiresome stock business with apples, wineglasses, etc. The singing was decent bnt the singers' imaginations seemed unfired. This version removed the violence, softened the smart. When Violante told how Belfiore had stabbed her to the heart, she added a gratuitous "I speak metaphorically." Four arias were omitted, and most of the others were abridged.

*

The "new" opera was not so new but a revival of Barber's *Vanessa*, 30 years old — and even when it appeared a confection of Strauss, Chaikovsky, and Mussorgsky. Graham Vick (who once worked with Colin Graham on the EMTC *Giardiniera*) had devised a wickedly brilliant presentation, exposing the piece for the tosh it is but at the same time ensuring that those who admire it and respond to its synthetic emotions would not be disappointed. Other aspects of opera in our day were examined, too. *The epoch was shifted from* "about 1905" to the time of the composition. Where Nicolai Gedda's original Anatol had been immaculate in evening dress, John David De Haan's was a blond stud *in studded* leather and jeans. Kevin Rupnik'e backdrop was the Paris Opéra front curtain. The "hungry deer" that "night after night wander weeping through the woods" (as Erika sings in her aria) were present in stuffed representation, under a steady trickle of stage snow.

Patricia Wells was a tense, beautiful, but vocally strained *Vanessa*. *Susan Graham was* a candid, pleasing Erika. One may question the propriety of marshalling the full resources of an opera company to demonstrate the shortcomings of a work and of the genre it represents. But it was an intelligent, witty, and very skilful demonstration.

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The unfamiliar opera was *Oberon*, in a new version by Colin Graham — one of the many, many attempts to "rescue" Weber's music from the morass of Planché's libretto. And one of the best. There was no such drastic reworking as Anthony Burgess and Graham Vick practiced for Scottish Opera. Planché was severely tidied and abridged, bnt his basic plot remained. Emanuele Luzzati's bright sets were pretty and picturesque. The show had its proper starting point in British pantomime, with amusing and surprising transformation scenes. Whenever the music began, the linked worlds — chivalric, exotic and supernatural — that Weber conjured np in small space, with delicate instrumental precision, found appropriate representation. Seriousness and mirth were nicely balanced.

Oberon is beyond "saving." Ponselle and Martinelli could not keep it going at the Met. It is not only Planché's fault; Weber, despite his reputation, was an incompetent theatre composer. Theatre after theatre essays a revival of *Der Freischütz*, his masterpiece, and quickly drops it. But — like Haydn, Schubert, Schumann, Wolf — he is a failed opera composer whose music is *too good* to *be ignored*, *one* whose music brings rich rewards. As did this *Oberon*.

Nova Thomas, the Reiza, was *a young soprano too ready to* sacrifice freshness for volume and "richness." Michael Myers was a brave Huon. But the stars of the show were Cary John Franklin's chorus — exact, *Mendelssohian* in their work — and the Sherasmin of James Michael McGuire, who knows how to use words. He was given an extra number, the yodelling song "Mein Weib ist capores," which Weber composed for insertion into the Fischer-Gieseke *Der travestierte Aeneas*; and he made much of it. John Nelson condncted, alertly for the most part, but *sometimes with too loving* and lingering a hand over the marvels he found in the score.

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St Louis' standard offerings are sometimes deeply moving. In the *small theatre*, *young artists*, addressing the audience in a language they both share, can make even elderly, jaded critics respond anew to works that they have heard hundreds *of times before*. *La traviata* and, last year, *Carmen* worked upon me thus. But his year's *Bohème* was a washout. It was a noisy, everyday performance, clumsily staged in ugly scenery. The *Mimì* and the *Rodolfo* seemed intent on their own performances and not for a moment in lova with one another. The Colline delivered the Coat Song as if it were a *Boris monologue*.

As a blunder, a miscalculation, this *Bohème* could be forgiven — provided thet the St Louis directorate felt properly ashamed of it. In so far as it *represented a capitulation* to what, in so much of America, passee, with applause, as "opera," it was deplorable.

The School for Scandal

THEATRE ROYAL, BRISTOL

Sheridan didn't put any nice people into *The School for Scandal*, apart from Maria. Some of them do sympathetic things; we may like Sir Oliver when he forgives Charles for not selling his portrait, perhaps, but he was busy tricking him at the time. The truth is, they are a terrible lot, and this why they are funny. There is no need to point a social moral, as Jonathan Miller did at the National. Rich or poor, they are ill-natured, deceitful and hilarious.

Les Waters, in his ahle production for the Bristol Old Vic, is prepared to rely on Sheridan for the laughs and on the audience for the morals. He has an excellent company, from bottom (Darren Tunstall's Trip, Jonathan Tafler's Snake) to top (Jemma Redgrave's Lady Teazle). Annie Smart's designs are simple, with a minimum of furniture, hut ready to surprise us if necessary, with Charles's bookshelves and portrait-collection sliding on from the wings as they might have done in Sheridan's day. What we have to entertain us is the words and the acting.

The opening coven of slanderers and slanderesses are a frightful crowd, Cecily Hohbs'e Lady Sneerwell condncting them with a lethal amalgam of breeding and ill-breeding. Particnlarly witch-like is Meera Syal's Mrs Candour, gushing her stream of misinformation like a foothall commentator. How Emma Hewitt's pretty, innocent Maria stood it as long as she did, heaven knows.

There is no suggestion that Jemma Redgrave's Lady Teazle is better than the rest when we catch her with this set. She has the advantage of her Redgrave height and her "remarkably elegant turn of the head," a head topped witb bandsome red hair tbat Mrs Candour must have longed to comment on. She is restrained, by the surrounding standsrds, and her barbs are general rathe: than personal ("true wit and good nature are so near akin they can never be united"), but she is horrible at home with defenceless Sir Peter ("with what a charming air she contradicts"), and her reformed persona can't be more than skin-deep.

Kenny Ireland's well-devised Sir Peter, essential Sberidan, is a silly, gullible old thing, but generally good-natured. Sir Oliver (Toby Salaman) looks like a retired colonial administrator, wiry and positive (I bet he was a slave-trader); be allows himself to be talked into posing as Premium and Stanley, but is too proud to put extra amateur acting into his deceit.

Of his two nephews, Ian Reddington'e Josepb is always cool and polished, and Sean Murray's Charles always bright and *go-as-you-please*, even if his parties aren't (and he might run up some more debts at his tailor's). "Here's to the maiden" is given a Wigmore Hall sort of performance, *so no one joins in* the *toasts* with much enthusiasm.

But there is plenty of enthusiasm in the general display of polished ill-will and contrived forgiveness. I enjoyed it hugely.

B.A. Young

ARTS GUIDE

November 11-17

OPERA AND BALLET

London

Royal Opera, Covent Garden. Massenet's Manon, a new production, by John Cox, in the 1987 designs, by Peter Rice. Further performances of the beautiful Nuria Espert production of Madama Butterfly, with Catherine Malfitano.

Paris

Opéra. Raymonda, Glazunov's 3-act ballet, choreographed and produced by Rudolf Nureyev, with Laurent Hilaire/Charles Jude/Manuel Legris/Jean-Yves Lormeau and Rudolf Nureyev alternating as Jean De Brienne (47425371).

Vienna

Volksoper. Die Fledermaus and Ein Walzertraum are both conducted by Rudolf Bibl. Der Barbier von Sevilla, Der Zigeunerbaron, Madame Pompadour and Thomas' Mignon are also due for performance this week.

Berlin

Deutsche Oper. Karajan's production of Der Troubadour is conducted by Stefan Soltez. The Ring cycle revived by Götz Friedrich starts with Das Rheingold with Hanna Schwarz (Fricka), Lucy Peacock (Freia), Jadwiga Rappa (Erda), Robert Hale (Wotan), Ekkehard-Wlaschiha (Alberich). Die Walküre with Karan Armstrong (Sieglinde), Gwyneth Jones (Brünnhilde) and Peter Hofmann (Siegmund), and Siegfried with Gwyneth Jones (Brünnhilde), Toni Krämer (Siegfried) and Jadwiga Rappa (Erda). Also in repertory, Die Zauberflöte and Notre Dame de Paris choreographed by Roland Petit.

Hamburg

Staatsoper. Dornröschen is choreographed by John Neumeier. Cav and Pag is the highlight of the week with Galina Savova. The ballet Hamburger Impromptu die Stühle choreographed by Maurice Bejart rounds off the week.

Cologne

Opera. Die Frau ohne Schatten, produced by the late Jean Pierre Ponnelle but finished by his assistant Jutta Gleue, will have its premiere this week with Robert Ilosfalvy. Don Pasquale features Camillo Meghor. Also Ein Sommernachtstraum.

Bonn

Opera. Norma stars Rosalind Plowright, Florence Quivar and Lando Bartolini. Der Nüssknacker is choreographed by Youri Vamos.

Frankfurt

Opera. Last performance of John Cage's Europeras 1 & 2, which tries to show a view of 200 years of opera history with the help of computers. Rigoletto has fine *performances by Michal Shamir*, Vincent Cole, John Rawnsley and Anny Schlemm. Il Barbiere di Siviglia is a well done repertoire performance. Fidelio is respectable with Luana DeVol.

Amsterdam

Muziektheater. The National Ballet with a programme of ballets by resident choreographer Toer van Schayk: a new ballet to music by Hans Werner Henze, Seventh Symphony (Beethoven) and Mythische Voorwendsel *(Bartok) (Until Thur) (255 455)*.

The Hague

Danstheater. The Netherlands Opera co-production with the English National Opera of Mozart's Magic Flute (in German) directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Hans Peter Blochwitz. (Wed) (60 49 30).

Florence

Teatro Comunale. *Tchaikovsky's* Nutcracker, choreographed by Evgheni Polyakov, danced by Elisabetta Terabust, with Eric Vu-an, and conducted by Evgheni v. Kolobov (Wed, Thurs) (2779236).

Turin

Teatro Regio. Sylvano Bussotti's production of Ponchielli's La Gioconda opens the winter season, with Bruna Baglioni. (Thurs, Sun, Tues.) (548.000).

Rome

Teatro Dell'Opera. Season opens with Filippo Sanjust's production of Donizetti's Polluto which has not been performed in Italy since Maria Callas sang in a different, *but highly successful* version at La Scala in 1960. This revised version by William Ashbrook and Federico Agostinelli follows closely Donizetti's autograph edition and is conducted by Jan Latham-Koenig, with an excel*lent cast* led by Renato Bruson, Elizabeth Connell and Nicola Martinucci (Today) (46.17.55).

New York

New York City Opera, State Theatre, Lincoln Center. The season ends with Sigmund Romberg's *The New Moon*, an operetta of a fugitive revolutionary on the run, pursued by the King's detective. (496 0600).

Washington

Washington Opera. *Opera House*, Kennedy Center. Nelly Miricioiu takes the role of Violetta Valery in John Copley's production of La Traviata conducted by Guido Ajmone Marsan. Placido Domingo continues as Mario Cavara*dossi in Tosca in Gian Carlo* Menotti's production conducted by Rafael Fruhbeck de Burgos with Andriana Morelli as Floria and Justino Diaz as Baron Scarpia. (254 3770).

Chicago

Lyric Opera. Ingvar Wixell has the title role in Jean Pierre Ponnelle's production of Falstaff, which features Marilyn Horne as Dame Quickly, Jerry Hadley as Fenton and Wolfgang Brendel as Ford, with James *Conlon* conducting. Samuel Ramey takes the title role as Don Giovanni in Jean Pierre Ponnelle's production conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira. *Civic Opera* House (3322244).

Tokyo

Bayerische Staatsoper, from Munich, conducted by Wolfgang Sawallisch. Arabella, with Lucia Popp, Anna Tomowa-Sintow, Thomas Allen (Today), Cosi fan Tutte with Peter Schreier, Theo Adam, Trudeliese Schmidt, Julia Varady, Julie Kaufmann (Thurs) (289 9999).

SALEROOM

The subtle smiles of Siva

A collection of twenty Khmer and Thai sculptures, dating from the 9th to the 14th centuries and acquired mainly from London dealers in the last decade by an American living in Europe, sold for £1.1m at *Sotheby's yesterday*. *They are* of the finest quality but of unknown provenance, so some of them might have been smuggled to the West in recent times.

The top price, and an auction record for an Indian or Far Eastern sculpture, was the £319,000 paid for a five headed Khmer bust of Siva, each face with its own suhtle emile, carved in grey sandstone. It dates from the around 900 AD, and was re-assembled by the vendor who found the missing fifth head in the US. The price was at the top end of the estimate.

A Swiss collector paid £209,000 for a small Khmer figure of a kneeling male deity of the late 10th century (top estimate £80,000) while a 48 inch high standing figure of a four armed male deity, probahly Vishnu, made the same sum. Sotheby's is quick to point out that all these figures come from an earlier period than the famed Angkor Wst temples in *Kampuchea which date from* the 12th century.

A large bronze Thai figure of Buddha of around 1200 AD, from the collection, was within estimate st £71,500. All told the auction made £1.6m, with 16 per ceut unsold.

Sotheby's reckons that it is about time we appreciated Russian art, especially the work of the painters of the 19th century. Its sale yesterday morning made a start with s total of £442,156 but with over 20 per cent unsold. Chris Beetles, the London dealer, paid £59,400 for a portrait of the famed prize giver Emmanuel Nohel hy Serov, perhaps the most famous Russian artist of the period, hut an atmospheric view of "Moonligbt over the Crimean coast," by the famed Aivazovsky, who in his day commanded prices equal to those of Rembrandt, only realised £20,350.

It was a hig day for the the art market across the North Sea with a record price paid at an auction in the Netherlands of 2,137,500 guilders (£599,296). It secured for Baskett & Day, the London dealers, a drawing by Pietr Jansz. Saenredam, the 17th century artist most famons for his views of churches. It shows the interior of the Great Church in Haarlem, and is one of only a handful of drawings by the artist *still in private hands*. *It is* destined for the Getty Museum in Malibu, California.

Antony Thorncroft

FINANCIAL TIMES

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The next step in Ulster

THE Anglo-Irish Agreement, which has its third anniversary today, cannot be said to have been a self-evident success. It has failed to take a large number of people with it – notably the Ulster Unionists, but also sections of British opinion which are either hostile or indifferent. Even the mainly Catholic Social and Democratic Labour Party in Northern Ireland, for whom the agreement was partly devised, has sometimes declined to show much enthusiasm. The support for the agreement from the British and Irish Governments has also had its ups and downs.

Article 11 provides for a review of the workings of the agreement at the end of its third year. At one stage it looked as if even that exercise would be perfunctory. Now it seems that some serious business could be done in the next few months. There will be a series of meetings between British and Irish ministers and officials, and also further attempts by Mr Tom King, the Northern Ireland Secretary, finally to bring in the Unionists.

For the exercise to be effective, it is necessary to recognise some of the mistakes of the past. The agreement has not achieved all that it might have done, primarily because it has failed to attract the Unionists. Yet the Unionists should realise that all previous British attempts to achieve a settlement in Northern Ireland ran into the ground because of the intransigence of the Unionists' own leaders. It was therefore not surprising that the British began to take a wider view.

Broader horizons

There were other reasons for both London and Dublin to broaden their horizons. Britain and the republic are members of the European Community, where they talk to each other about all sorts of wider issues. It would be an anachronism for the two Governments not to be on close speaking terms.

There was also security. Co-operation between London and Dublin on defeating terrorism remains less than ideal, but it is much better than it was. Anyone who doubts that should ponder how much worse the situation might be if the British and Irish security forces had not begun to work more closely together. They may notice, too, that the London-Dublin agreement has made it easier to achieve international support in the battle to deprive the IRA of supplies.

Still, there are defects which go beyond the failure to bring the Unionists on board. One of them is excessive concern by the British Government with security matters almost to the extent of neglecting other parts of the agreement. Article 10, for example, promised economic and social development in areas that had suffered most from the troubles. That has not always been forthcoming. There remain Catholic ghettos which would be recognised as extreme inner-city problems elsewhere.

The biggest failing of all must be shared between London and Dublin. It was the reluctance to follow up what must be a seminal agreement. Some excnses may ba advancsd. Mrs Margaret Thatcher signed it with Dr Garret FitzGerald, not Mr Charles Haughey who subsequently became Irish Prime Minister and with whom Mrs Thatcher had fallen out in the past. Mrs Thatcher may also have entered into the agreement mainly because of her concern about security and her irritation with the Unionist leaders, and have forgotten the long term reasons why the agreement is the only way forward. Possibly, and uncharacteristically, she underestimates her own influence. She has only to give a nod or a wink to encourage the Unionists to stay out of it and her own backbenchers to oppose it.

Independent chairman

That could be fatal. The best step forward now would be for Britain to appoint an independent chairman of a conference of the political parties in Northern Ireland. Two analogies would be Lord Carrington's chairmanship of the Lancaster House conference on Rhodesia-Zimbabwe and Dr Henry Kissinger's shuttle in the Middle East. There would be a deadline for the parties settling terms on implementing the agreement's provisions for devolution in the North. But it should be made clear at the start that co-operation between London and Dublin will go on. The deadline would be closely tied to the conclusion of the review of the workings of the present agreement in (say) next March. There would then be a summit meeting between the two Prime Ministers which would reaffirm the Anglo-Irish Agreement as the cornerstone for future developments.

It will be difficult to find a chairman of sufficient stature, hard to persuade Mrs Thatcher to accept this approach and none too easy to bring in the Unionists. Yet the longer term consequences of letting the agreement wither on the vine, doing nothing very much about a political settlement in Northern Ireland and letting the Unionists effectively opt out are even less enticing. The agreement was a useful first step. We now need a decisive leap.

Reciprocity in the Middle East

THE PALESTINIAN Arabs have suffered repeatedly, in the bistory of their conflict with Zionism, from the fact that their leaders made important concessions too late to reap much benefit. There is a danger that that may happen again, thus lessening what otherwise ought to be seen as a constructive endorsement by the Palestine National Council in Algiers of Security Council Resolution 242.

Had this step been taken in the summer of 1977, it would undoubtedly have opened the way to Palestinian participation in the Geneva peace conference, with the support of the US, and possibly to the eventual formation of an independent Palestinian state.

Today it may well not be enough. Although the Carter Administration regarded Resolution 242 (which calls for Israeli withdrawal from territories occupied in 1967 and affirms the "sovereignty, territorial integrity, and political independence of every state in the area and their right to live in peace within secure and recognised boundaries") as an adequate test of acceptance of Israel's right to exist, the Reagan Administration wants the Palestinians to recognise Israel explicitly and to renounce violence. The debate in Algiers continues, but it is unlikely to go beyond a reaffirmation of Mr Yassir Arafat's 1985 Cairo Declaration renouncing terrorism, which covered violence only outside the Middle East.

In 1977 the Palestinians faced a newly elected rightwing government in Israel led by Mr Menachem Begin, regarded as a rigid opponent of any territorial compromise. But later that year President Sadat went to Jerusalem, and within 12 months had secured Mr Begin's signature on an agreement to withdraw from all occupied Egyptian territory.

Today the situation looks at least equally nnpromising, with rejection of the Palestine Liberation Organisation and of an independent Palestinian state almost the only common ground among the Israeli parties. Yet Sadat's example sbould remind the Palestinians that Israeli politics can be transformed by a really imaginative Arab gesture, especially if followed up by an intensive American diplomatic effort at the highest level.

Danger of conflict

It would be unrealistic to expect any breakthrough in Middle East diplomacy from the lame-duck Reagan Administration between now and January, especially as it may take most of that time for Mr Sbamir to form a new Israeli government (assuming that he succeeds in doing so at all). But "Brotber Busb", as Mr Arafat has rather quaintly called him, could do worse than devote some serious thought to Middle East policy before taking office. The Palestinian uprising is clearly not going to be easily suppressed, and there is a real danger that the methods used to suppress it could provoke a new Arab-Israeli conflict.

Accepting Resolution 242 was never going to be easy for the Palestinians and, for this reason alone, should not be lightly dismissed. Explicit recognition and renunciation of violence are indeed desirable, hut should be reciprocal: that would be a good principle on which a fair-minded US administration could base its policy.

Wary approach to the single market

Guy de Jonquières reports on Japanese attitudes to Europe and 1992

Like a space traveller who discovers life on a strange and distant planet, Japanass industry has recently been surprised by signs of renewed economic vigour in Western Europe. And it is rushing to investigate further.

Since the late 1970s, Japanese businessmen have often castigated Europe as a constipated low-growth society falling behind the rest of the industrialised world. They have been correspondingly reluctant to invest there: East and West Europe togethsr account for a mere 15 per cent of Japan's foreign direct investments, less than the US, Asia or Latin America.

Ths recent change of attitude owes much to a surge of interest in the European Community's plan to create a single market by 1992. Though many Japanese executives are still unsure what to make of it and sceptical about Europe's longer-term prospects, they plainly feel they cannot afford to be left out of the action.

Leading companies have been dissecting the 1992 proposals in minute detail and are setting up departments to plan and co-ordinate their European strategy. Toyota, Japan's biggest manufacturing concern, says deciding how to tackle the European car market has become its top priority.

EC governments say their seminars in Japan on investment opportunities are attracting a record turn-out, inclnding large companies which already have European operations and small firms with little international experience.

"In the past few years, there has been a sudden swing from Euro-pessimism to Euro-optimism," says Dr Hajima Ohta, a senior international economist at the Keidanren, the employers' federation. "For Japanese bnsinesses, Europe is one of the choices they have to make to survive."

How that choice is exercised will have important consequences for Japanese companies' ambitions to transform themselves into global enterprises with a broadly based worldwide presence. It is also becoming a key element in the EC's own decisions on how to implement the single market programme, particularly on the external trade front.

The 1992 plan happens to coincide with a shift in business objectives spurred by rapid structural change in the Japanese economy. For the moment, most companies are preoccupied with increasing their share of booming domestic demand. But many are also aware that to safeguard their prosperity, they need to start laying firm foundations for longer-term international expansion.

The high yen and foreign trade barriers are already prompting a shift to offsbore production bases and components sourcing, primarily in Asia. Though less than 2 per cent of Japan's manufacturing capital stock is estimated to have gone overseas so far, its foreign direct investment is rapidly accelerating. In the three years to last April, it almost doubled to reach $139.3bn (£76.7bn).

The trend is expected to continue, for other reasons as well. Many Japanese companies are finding that, as they gravitate to more sophisticated and complex products, they require a more intimate understanding of customers' needs which can only be gained by having a presence on the ground. The process is generating its own momentum. Decisions by all Japan's car makers to manufacture in the US have prompted more than 130 of their parts suppliers to follow suit.

Furthermore, large international trading companies such as Mitsubishi Corporation, whicb spearbeaded Japan's early export thrust, are now being obliged to hunt for new sources of business overseas. "In all areas, our customers are diversifying and building their own networks overseas, so our traditional functions are eroding. We have to become more aggressive internationally," says Mr oshihiro Koizumi, general manager for marketing at Mitsnbishi. It has already bought manufacturing businesses in the US and Canada and is forming a company to invest in Europe.

Most Japanese companies have yet to determine, however, just how big a commitment to make to Europe when there are so many competing opportunities elsewhere, not least in Japan's home market. Their decisions will hinge on the following questions:

- How far will the single market programme get and how mnch will it contribute to faster growth and stronger demand in Europe?
- What restrictions and conditions is the EC likely to place on Japanese companies in the future, both as exporters and as locally established operators?

The Ministry of International Trade and Industry (Miti) thinks that, although the single market programme is unlikely to be complete by 1992, it will have advanced a long way. "We see European integration as inevitable, as part of the flow of history," says a senior Miti official, who cites the recent pick-up in EC growth rates and capital investment as evidence that the process is accelerating.

However, executives of many Japanese companies, which have yet to see mnch profit on direct investments in Europe, are less convinced. "Europe is very important, but conditions for doing business there are difficult. Our results are not np to our expectations or priorities," says Mr Akio Tanii, president of Matsushita Electric, Japan's biggest electronics company, which first set up in Europe in 1962. None the less, it plans to increase its investments there.

The most potent factor inflnencing investment decisions is fear of a Fortress Europe. "The EC will close its market and protect its own," says Mr Shinichi Yufu, executive vice president of Mitsnhishi Electric. "We should come in as insiders. Now we are all looking for good countries to invest in."

The sense of urgency varies between companies. But Japanese fears have been intensified by the EC's more aggressive use of anti-dumping policies, talk of trade reciprocity and demands by European countries for mandatory local content rules for Japanese assembly plants.

The most potent factor influencing Japanese investment decisions is fear of a Fortress Europe after 1992

Many of these obstacles are viewed as problematic but manageable. Tha anti-dumping threat, for instance, is thought by Miti to be receding as Japanese exporters graduate to products which compete more on advanced technology than on price. One official even forecasts that Japanese companies will be the prime target of only one more EC dumping case, over compact disc players.

While Japanese companies are unhappy about enforced local content standards, most agree they could meet them if given sufficient time. Nissan has achieved a 70 per cent local content ratio at its UK car plant, only two years after starting production there, whila Matsushita's vacuum cleaner plant in Spain buys 80 per cent of its components locally.

More worrying is the widespread suspicion that the EC will not set fixed rules, but will keep changing them arbitrarily to frustrate Japanese competitiveness. Many companies fear the real crunch will come after 1992, as weaker European competitors rush to Brussels or national governments for shelter from fiercer competition.

They also expect nationalism to increase inside tha Community. Indeed, the dispute over exports of cars from Nissan's UK plant to France is being followed closely as much for what it says about European governments' attitudes towards each other as for what it reveals about EC sentiment towards Japan.

Because few Japanese companies have bothered to analyse Europe's political and social complexity in detail, they have tended to assume that most national differences were technical or regulatory. Discovering how far Europe's diversity is also underpinned by contrasting cultures and traditions has been a revelation to them.

These uncertainties have encouraged a wary approach, which pays keen attention to political considerations. "Japan has become so important that Japanese companies should expect a political reaction to whatever they do," says Mr Hideo Ishihara, managing director of the Industrial Bank of Japan (IBJ).

Local sensitivities have already caused car makers such as Toyota and Mitsubishi Motors to rethink plans for setting up production in Europe. They seem reluctant to press ahead with large-scale assembly plants, which could increase excess capacity, and are studying less ambitious alternatives, possibly in collaboration with European partners.

"We have to make sure we can contribute to strengthening the competitiveness of the European motor industry," says Mr Tsutomu Oshima, executive vice president of Toyota. "By no means can we just intervene in the market without paying attention to the local environment." Joint ventures and alliances with European firms are fast gaining popularity as the safest option. Several companies already have such arrangements – they include Fujitsu and ICL in computers, Honda and Rover in cars and Matsushita with Grundig and Bosch in consumer electronics – and others are keen to follow suit.

Mitsubishi Heavy Industries (MHI) is discussing collaboration with several European companies including British Aerospace, Italy's Aeritalia and West Germany's MBB in aviation, and France's Framatoms and the Swedisb-Swiss ABB group in power engineering. "We want strategic relationships with strong companies which will be the winners in a fight for the European market," says Mr Nobuichi Tsuruoka, an executive vice president of MHI.

Decisions on plant location are also increasingly influenced by the desire to minimise risk. Unlike US multinational companies, which have tended to concentrate their European production in a few big factories, many Japanese manufacturers say they favour networks of smaller plants. Economies of scale may suffer, but dispersing investments in several countries is widely considered a sensible precaution because it diffuses the threat of political reprisals. "It is going to be impossible to have just one or two big plants in Europe because of local hostility," says Mr Katsutano Kataoka, chairman of the components maker, Alps Electric.

Tha Nissan disputs and Mrs Thatcher's well-publicised views on EC integration have reinforced this caution. Britain is widely regarded by Japanese executives as a hospitable location. But some express concern abont investing too much there because they fear political friction between the UK and its neighbours could jeopardise their access to the rest of tha EC market. West Germany is sometimes cited as a safer choice.

Similar misgivings are voiced by some large Japanese banks. Though they believe the City of London is likely to remain Europe's foremost financial centre, several have quietly begun putting down roots elsewhere in the EC. "It's an insurance policy," says Mr Ishihara of IBJ. "Mrs Thatcher may go her own way, so it's important to have a continental foothold."

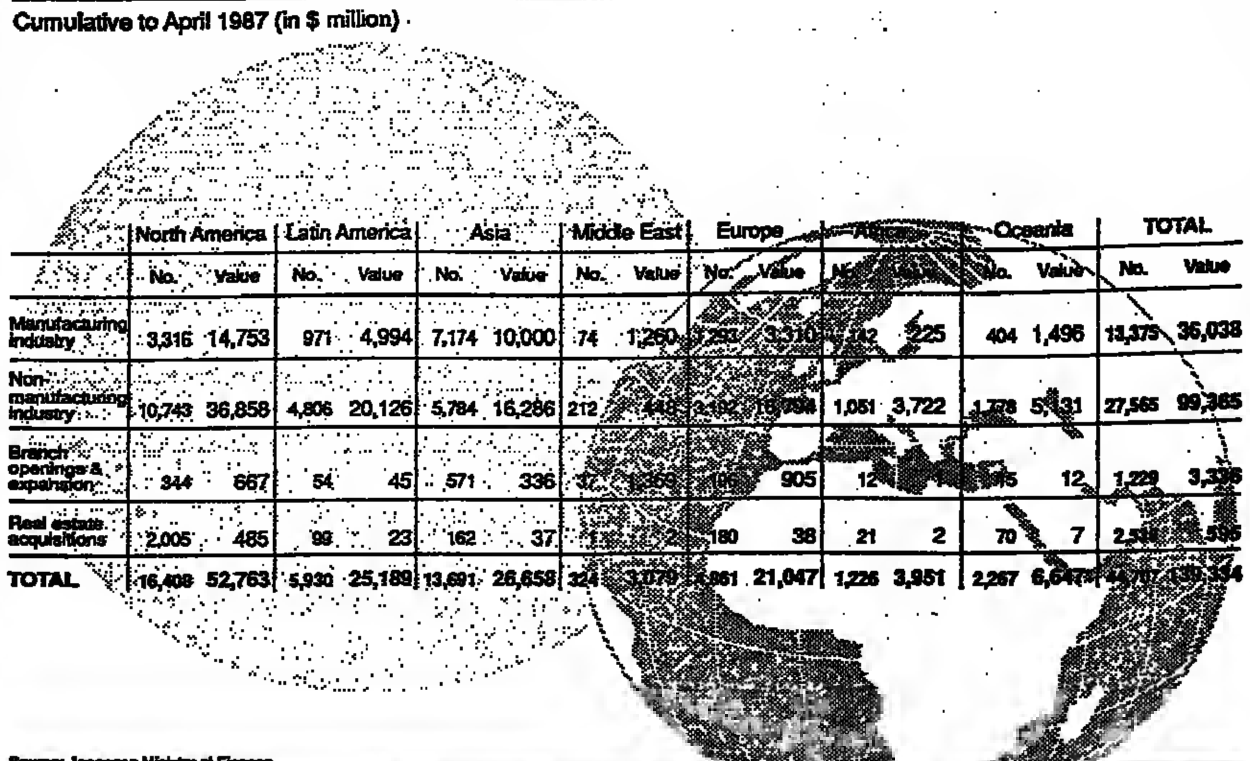
The main reason for the banks' European diversification is acute uncertainty about how regulations will operate in a unified financial market. Japanese banks also believe that, by setting up full subsidiaries in major countries now, they can preempt any move by the EC to restrict their geographic operations in the future.

Some of the Japanese businessmen's wilder fears may prove exaggerated, reflecting political naïvety and a shortage of experience in dealing with the outside world. But until they feel the ground firmer beneath their feet, "safety first" will remain the watchword.

Their cash-rich companies may possess a "wall of money" ready to sweep across the world. But for the foreseeable future, most seem intent on building up their presence in Europe gradually, a brick at a time.

Japan's foreign direct investment

Cumulative to April 1987 (in $ million)



	North America		Latin America		Asia		Middle East		Europe		Africa		Oceania		TOTAL	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Manufacturing industry	3,316	14,753	971	4,994	7,174	10,000	74	1,260	[illegible]	3,310	142	225	404	1,496	13,375	36,038
Non-manufacturing industry	10,743	36,858	4,806	20,126	5,784	16,286	212	[illegible]	[illegible]	[illegible]	1,051	3,722	1,378	5,131	27,565	99,365
Branch openings & expansion	344	667	54	45	571	336	[illegible]	[illegible]	[illegible]	905	12	[illegible]	[illegible]	12	1,229	3,336
Real estate acquisitions	2,005	485	99	23	162	37	[illegible]	[illegible]	180	38	21	2	70	7	[illegible]	[illegible]
TOTAL	16,409	52,763	5,930	25,189	13,691	26,658	324	3,076	[illegible]	21,047	1,226	3,951	2,267	6,647	[illegible]	139,334

Source: Japanese Ministry of Finance

OBSERVER

Mystery at Sotheby's

■ Anyone looking for a plot for a thriller could do worse than dig into Sotheby's sale of 20 Khmer and Thai sculptures yesterday which brought in £1.1m for their mysterious owner. It was odd for Sotheby's to get such a collection – objects in this specialist field are usually sold privately, to such keen collectors as Avery Brundage and Norton Simon.

An auction usually means that the seller wants his money quickly. Dealers recognised the items – one of which, a five headed bust of Siva, sold for a record £319,000 – as among those bought in the last few years by a Mr Kreiling, an American living in Switzerland who had dealings with the Middle East. But he was not believed to be the vendor.

He built up his collection as an investment, buying many of the sculptures from the Crawley brothers, the sons of Aidan Crawley, who were killed recently in a plane crash in Italy. A business disagreement precipitated the rapid dispersal. As for the origins of the pieces, no-one doubts that some, at least, had been hacked off temples in Kampuchea both by the Khmer Rouge and their victims during the Pol Pot trauma. As one dealer said yesterday: "When you are starving and have to flee your country, yon do not worry too mnch about art history." In fact, you take it with you.

African cheer

■ Remarkable optimism keeps coming out of Southern Africa. Denis Worrall, the former Ambassador to Britain and now leader of South Africa's Independent Party, was in London last week and talking about breakthroughs all over. He expects a general election in April and a total shake up of South African politics. Yesterday Lynda Chalker, Minister of State at the British Foreign Office, came back from an 11 day tour of the front line states and said it was the best she had ever made. People were no longer talking about economic sanctions, but the economic future. And of course there are the peace talks on Namibia which look close to success. Perhaps a corner really is being turned.

Mansfield goes

■ There was a paradox about Mike Mansfield, the retiring US Ambassador to Japan. A whole generation of Europeans grew up believing that one year his annual resolution in ths US Senate calling for a reduction of American troops in Europe unless the Europeans did more for their own defence would be passed and that Europe would be np the creek without a paddle. Some defence experts believed that Mansfield was only the thin end of the wedge: future Senators, they thought, would press the same kind of resolution even harder.

Yet in 1977 Mansfield took up his post in Tokyo and Mansfieldism went out of fashion, though it may come back under President Bush and a Democratic Congress. The paradox is that he never applied the same approach to defence spending to Japan. He thought that the Japanese were doing enough and that it would be dangerous to encourage them to do much more. Perhaps he was just very wise. He retires at the age of 85 and was the only American Ambassador to have remained in the same major post throughout most of the Carter and Reagan administrations.

"It's just what one wanted."

Pitch and toss

■ The phenomenon of the last American baseball season was Orel Hershiser 4th. He is the Los Angeles Dodgers pitcher who reduced hitters to displays of incompetence unprecedented in the annals of the sport.

Thus it must have shocked America to discover that Hershiser was treated with less than reverence by Japanese opposition on a recent tour by a US all stars team. His earned run average, the ultimate statistic determining a pitcher's effectiveness, was 15 times worse in his appearances in Japan than it was over the last two months of the US season.

He did not necessarily fare worse than his colleagues. The US side narrowly won the series by three games to two, with two draws (only in Japan, which believes in equitable division of the spoils and going to bed reasonably early, are draws possible.) This is the closest the Japanese have come to beating a touring US team.

But the rude treatment he received from Japanese bats may change Hershiser's plans. He had openly talked of playing in Japan if the Dodgers did not renew his contract with an appropriate increase, to around $2m a year. He may now have concluded that the home base is better.

Turner's test

■ The impressive performance by John Turner, the leader of the Canadian Liberals, in the recent televised election debates is widely credited with resurrecting his party's flagging challenge in next Monday's general election.

Indeed, by so much did the silver-haired lawyer's performance exceed expectations that – in the words of one bright spark in the Ottawa press corps – the rival Conservatives should have insisted on a drugs test. The reference, of course, is to the Ben Johnson affair at the Seoul Olympics. Anyway, it now seems quite likely that Turner will win.

Time for tears

■ Han Yong-ja, the lady who paid more taxes than anyone else in South Korea last year and made her money out of producing tear gas for the country's riot police, is giving up the business. Han's earnings in 1987 were 5.2bn won. She paid tax of 2.8bn won (about $4m). She said yesterday that she was filled with remorse at the number of students injured by the gas and will now be doing something else.

Peking chicks

■ Which of the 7,700 Kentucky Fried Chicken outlets sells more chickens than any other? The answer is the one in Peking, which seats 510 people and has annual sales of $3m, the company said yesterday.

LETTERS

The problem is the US current account deficit

From Mr Patrick Foley.

Sir, Samuel Brittan ("Time to untwin the US deficits," November 10) is of course right when he says that there is no clear relationship between government budget and overseas trade deficits.

While the link is generally a weak one, however, it is likely to be much stronger in the present US economic situation.

One important reason for this is that the US economy is now near capacity limits. With the economy already at full stretch meeting existing demand, any expansion of the public sector's deficit can only be met initially by reducing net exports.

The reverse is also true; any reduction of the budget deficit is likely to result initially in an almost one-for-one reduction in the trade deficit. This also means that, were the new US Administration and Congress to take significant steps to cut tha budget deficit, the effect on US economic growth would be small.

It is surely the current account deficit, rather than the budget deficit, which is the most important economic problem facing the new Administration. As Mr Brittan points out, the budget deficit is by no means large when measured relative to the supply of overseas savings from which it must be financed.

It is the current account deficit which promotes instability in foreign exchange markets with knock-on effects in US domestic markets. It is the current account deficit which is worsening trade relations with other countries and raising the threat of protectionism. The budget deficit's importance is because of its present potential for influencing the current account deficit.

Our own projections show that there will he almost no improvement in the US current account deficit over the next five years unless there is early action on the hudget.

Unfortunetely, such early action appears to be highly unlikely.

Patrick Foley,
Lloyds Bank,
71 Lombard Street, EC3

Tough on provident students

From Mr A.D. Linfoot.

Sir, The final paragraph of your leading article, "The future of stndent loans" (November 10) is very welcome.

As you rightly say, students (like the rest of us) can only spend their money once, and the proposed loan seems required to cover several things simultaneously: the frozen grant; students' existing overdrafts (currently averaging over £300 a year); the withdrawal of social security benefits – not to mention 20 per cent of the community charge (poll tax) and rising rents in the private housing sector.

The Government simply shows no comprehension of the economic facts of ordinary students' lives. It seems not to grasp that financial difficulties can only deter provident students.

As you say, wider access to higher education must be our objective – for the sake of the economic future of the nation if for no other reason. Yet it is becoming easy to understand the widespread belief that the Government wishes only to improve the competitive position of children of the well-to-do. Indeed, it is becoming quite hard not to share that belief.

A.D. Linfoot,
The Registry,
The University,
Canterbury, Kent.

Person power in the law

From Mr Martin Sewell.

Sir, We were very pleased to see your legal column covering the issue of flexible working in order to retain capable lawyers (who happen to be female) in the profession (November 7).

As you reported our own experience, however, yon described Anna Turnbull-Walker as an assistant solicitor with our firm, thereby underplaying the most important issue.

Anna Turnbull-Walker is in fact not only working flexible hours, which is not the same as part-time, but she is also a *full* equity partner.

My other partners and I see this as an important ingredient in making the arrangement work. We have had to make changes in the way we organise certain aspects of the practice, not least in making a commitment to exploring the potential of the new technologies, bnt these adjustments have proved a very beneficial stimulus to the firm.

It would pay other firms to develop a similar outlook if they are finding it impossible to find suitable candidates in the old-fashioned mould.

If we as a profession fail to adapt to this as in other ways, we shall deserve all the "person power" problems we get.

Martin Sewell,
Hatten Wyatt,
18-21 Wrotham Road,
Gravesend, Kent

Poor outlook for exports

From Mr Alan Saunders.

Sir, With reference to Margie Lindsay on Mongolia's trade prospects (November 1), the Anglo-Mongolian round table delegation last autumn, and the London Chamber of Commerce and Industry delegations which followed, were unanimous in encouraging Mongolian government representatives to increase trade turnover with hard currency markets, particularly the UK.

There are no signs at present on tbe Mongolian side that they will actually do so, and it is unlikely that hard evidence of intentions will be available before release of the draft of the next five year plan, 1991-95.

This plan will have been coordinated with the Soviet Union and other Comecon (CMEA) countries. Meanwhile, experts are taking a pessimistic view of Mongolia's export prospects, given the rising cost of machinery imports, stagnation in livestock production and food supply, and the generally poor quality of manufactures.

It was with this in mind that representatives of a number of UK companies went to Mongolia to offer inexpensive but efficient, relatively quick ways of boosting veterinary services, crop yields and the diversification of light industry.

In recent years a large proportion of Mongolia's export revenne has come from large opencast mining operations such as the Erdenet copper and molybdenum mine, and from fluorspar for the Soviet steel industry. Limitations are now being set to the development of this field, by the remoteness of new mineral deposits from rail heads, and the terrible damage being done to the environment.

Alan Saunders,
37 Kidmore End Road,
Emmer Green,
Reading, Berkshire.

If an archangel appeared . . .

From Mr Robert Sutherland Smith.

Sir, Your survey of British industry (November 4) found that 64 per cent of companies questioned saw financial institutions as short term, failing to make a long term strategic evaluation of their company.

I remember a time, not so long ago, when some UK companies had an unhealthy tendency to regard shareholders as sleeping partners with only a limited entitlement to information. I have witnessed a beneficial transformation – in the long view, to the advantage of company efficiency.

But there is a regrettable tendency for professional fund managers to take an increasingly short term view.

If the Archangel Gabriel appeared to an average investment manager in his sleep, and demonstrated – with divine powers of analysis – that a particular company was doing the right thing for its highly profitable future, adding a prophetic codicil that the share would under-perform the all-share index for two years, then the investment manager (being rational) would not buy the shares, and might even sell them short term (assuming of course that a tip from the Archangel Gabriel does not constitute "inside" information).

Why? Because he is paid to out-perform the index, if he can.

Fund managers are under enormous pressure to perform in the short term as well as long term. Funds are measured quarterly; even four quarters of below average returns can be an embarrassing matter for an investment management company.

If there is a problem of "short termism" among pension funds, then the solution, to some extent, lies in the hands of British companies themselves.

They would do well to influence trustees of company pension funds to take a more relaxed and judicious view of performance. Fund managers should be evaluated in terms of their longer term performance, and the emphasis taken away from short term returns, which are too often used as a basis for dissatisfaction and switching an account from one management company to another.

Robert Sutherland Smith,
Teather & Greenwood,
Salisbury House,
Circus Place Entrance,
London Wall, EC2.

Chemistry is in crisis

From Mr William Beet.

Sir, I was interested to read your report of the lecture given by Mr Allan Rae, president of the Chemical Industries Association (November 2). He deplored the Government's failure to recognise chemistry as a subject suffering from shortages, and pointed ont that trainee teachers in mathematics and physics receive a bursary denied to those in chemistry.

Unfortumately, the award of bursaries to prospective graduate teachers of mathematics and sciences is likely to make only a marginal difference to the appalling situation in many UK schools.

In 1976 the Financial Times published my article entitled "Lost art of science". 12 years later it seems that little has changed for the better.

Certainly school chemistry is in a far worse state. Many university departments of chemistry face closure, largely because of the failure of many schools to provide adequate education in the subject.

Becanse there are not enough good graduate teachers of chemistry to staff the existing proliferation of relatively small comprehensive schools, there does seem a need to bring together well-qualified teachers and the most able pupils.

That may sound elitist, but if logistics prevent the offering of chemistry to all pupils, the subject should be studied by those most likely to make use of it.

The City Technology Colleges are a faltering step in the right direction, but are likely to have only a minimal impact in their present form and numbers.

William Beet,
16 St Andrew's Road,
Sheffield,
South Yorkshire

Stand taken on bananas

From Mr Erwin Stier.

Sir, I would like to comment on your article "Banana skins on the path to EC single market," (October 24).

Let me congratulate your correspondent in Brussels on the accurate, readable presentation of this complicated subject. But I cannot admit the statement that the German banana-importers have, at the time of the Treaty negotiations and at present, swayed the main political parties through contributions to party funds.

As a member of the delegation negotiating with the German government in 1956-1958, and still today, as speaker for the German banana-importers, I can assure you that neither our company nor – as far as we can judge – any other importers at any time paid any contributions to party funds or other institutions in connection with the granting of a duty-free tariff quota.

Our government, at that time, made a stand for zero-duty on bananas, simply in order to prevent a substantial price-rise for German consumers. By tradition, bananas in Germany were never liable for customs duty; West Germany would have been the sole member state in the European Community (EC) to accept a rise of customs duty for bananas from zero to 20 per cent.

*The EC single market,*in 1992, needs a common regime for bananas. There is a danger that a considerable increase in consumer prices in the Federal Republic of Germany will occur. Already, an increase of customs duty for bananas to 10 per cent represents additional consumer expenditure of about DM100m.

That is why the German banana-importers asked the German government, in a memorandum, to make every effort to achieve a liberal solution for the single market in bananas after 1992 and, at any rate, to prevent a market regulation with minimum prices.

Such a system would not only affect EC consumers, with substantial price-increases, but would also have a severe commercial and political effect in relations between the EC and the Latin-American countries.

Erwin Stier,
2800 Bremen,
Den Fruchthof,
Breitenweg 29-33,
West Germany.

Bears still prowl

From Mr R.L.B. Anley.

Sir, I write as an investment intermediary concerned about the marketing campaigns emerging from the City institutions *in an attempt* to *attract* private investor money back into equities.

Advertising material lands on my desk daily, carrying the general message that the market is cheap and terrific opportunities lie ahead.

My research indicates a number of factors pointing to the conclusion that despite the apparent recovery since October 1987, there are still problems ahead, and that the bear market (which started in August 1987) has further to go before it can reasonably be labelled as being oversold.

Despite warning signals, the institutions – that is, those people with the greatest capitalisation, the greatest sophistication, the greatest know-how – failed to position themselves correctly before the October collapse. Investors with money entrusted to fund managers saw their capital severely cut back.

If the market does drop badly again, the sophisticates will have failed twice in a row, and there will be a mass exodus of investors from the market. The result will be that the less knowledgeable investor will never forgive the City for *advising him* or her to get back into the market when the advice should have been: wait.

Mrs Thatcher paved the way for the public to become more involved in equity ownership; if we are not careful, the institutions may find themselves being responsible for causing much damage to that objective. This seems quite extraordinary when their success or failure will depend on the confidence the public has in believing that the institutions actually know what they are doing when they set in motion the wheels for obtaining new business.

I am sure that we would all like to be doing more private client business. But a marketing campaign in a bull market is one thing. A marketing campaign in a bear market rally – or one that looks and smells like a bear market rally – is another thing altogether.

R.L.B. Anley,
Ibis Financial Services,
Saragossa House,
13 New Street,
Henley on Thames, Oxfordshire

'Further to your letter, we have to say that we protested strongly'

From Miss J.R. Allan.

Sir, In recent years we have been asked to make representation to the Monopolies and Mergers Commission in order to protect small local breweries. We received a while ago a similar request from Scottish & Newcastle Breweries regarding the Elders IXL bid, to which we sent the following reply:

"Further to your letter of October 27 concerning the bid made by Elders IXL for Scottish & Newcastle Breweries plc, we have to say that we protested very strongly against the takeover of Matthew Brown by Scottish & Newcastle, to no avail.

"We do not feel that the standards and service can deteriorate further by another takeover as one large conglomerate is about as inefficient as any other.

"Unless there is an immediate halt to the takeover of small regional breweries (and we mean small as in T& R Theakston and others) then the character of brewing in this country will be lost for ever".

If the flood of takeovers continues, the small entrepreneur so admired by Mrs Thatcher will eventually give up trying.

J.R.Allan,
Green Park Hotel,
Valley Drive,
Harrogate, North Yorkshire.

FOREIGN AFFAIRS

In defence of a good schooling

There is more to national security than military spending, writes **Edward Mortimer**

It is very easy to be smug and patronising, if one is not American, about the fact that Americans want to have their cake and eat it.

They want to remain the world's strongest military power, with the capacity to deter – and if possible also to parry – any nuclear attack on their territory, and the ability to contain real or imagined threats to their security by deploying conventional forces in almost any part of the world.

They want to avoid making any larger rents in the tattered safety-net of welfare benefits spun by earlier administrations from FDR to LBJ. They want to go on spending the money given back to them in tax cuts by Ronald Reagan. And they want – or think they want – to pay their way in the world by exporting goods and capital, instead of building up an ever larger national debt financed by ever more dubious and reluctant foreigners.

According to democratic theory, their politicians should have explained to them that they cannot have all those things, and presented them with a clear choice. That did not happen. The problem is not that Mr Bush lacks a mandate to govern. It is that he has made promises some at least of which he is bound to break. When an unpopular decision has to be made, his opponents will be able to say not merely that he has no mandate to do it, but that he has a positive mandate to do the opposite. You see: it is easy to be smug and patronising. It is easy because democratic practice seldom conforms to democratic theory.

Maybe one should win votes by spelling out the unpopular decisions one expects to have to take. Maybe one can do so when the electorate has already suffered a severe shock and knows that the country faces an acute crisis. But so long as most voters in their personal lives are feeling prosperous and secure, preparing them for future pain is hardly a sure vote-winner. Is the performance of other democracies any better in this respect than that of the US, even when their vulnerability to external shocks is considerably more obvious?

Take Britain, for example. Many people in Britain probably feel entitled to be smug about the US performance. Have not British voters elected, and twice re-elected, a government which has clearly shown itself ready to take unpopular decisions and stick to them? Has that government not achieved, rather than merely proclaimed, the objective of a negative public sector borrowing requirement? The answer to the second question is clearly affirmative. The answer to the first is less clear, or at any rate not unanimous.

"The Nato target of a three per cent increase in defence spending in real terms was maintained by Britain, not until the Soviet threat had been matched, but until the electoral prospects of the Conservative Party looked so alarming that Mrs Thatcher's Government felt obliged to yield to the voters' clamour for more popular spending programmes like health, education, housing and welfare." That sentence appeared in a book published shortly before the last election, co-authored by a Conservative MP*. By contrast another recent book** one of whose authors is a former Conservative MP and the other a prominent Liberal/Democrat, harps on the fact that Britain's defence budget is "higher in per capita terms than that of any other Nato member except the United States and Greece", hinting without ever quite stating that it should therefore be reduced. My point here is not to argue either case, but to draw attention to the fact that the British electorate has never been confronted with a clear choice.

In 1980, when the government announced its decision to buy the Trident submarine-launched ballistic missile system, Sir Francis Pym, the then Defence Secretary, pledged that its costs would be accommodated within the defence budget without detriment to the re-equipment of the UK's conventional forces or their ability to meet their commitments. This pledge was implicitly negated by the programme "The Way Forward", proposed by Mr Pym's successor, Sir John Nott, in 1981, which included savage cuts in conventional, particularly naval, forces; but that, in turn, was effectively reversed by the Falklands War, since when no clear choice among Britain's various defence commitments has even been attempted.

An educated population is going to be the most important resource of each country

Yet the electorate was not asked in 1983, still less in 1987, to vote for a further increase in defence spending. Instead it was offered, and gratefully accepted, a cut in income tax. It was not offered, but it has got, a gradual running-down of manpower and equipment throughout the conventional defence establishment, to the point where Britain's ability to meet a call on almost any of its defence commitments, including another Falklands-type emergency, is very seriously in doubt. That is a fairly straightforward point about national security as it is conventionally considered, in military terms. Yet surely almost anyone would agree that the purely military aspect of international relations is declining in relative importance, while cultural, ideological and, above all, economic factors are increasing.

At a recent conference on "The Future of British Foreign Policy" it was mentioned, almost as an afterthought – under the heading "related issues of domestic policy: the labour market" in a paper on "Britain's role in a World of Economic Interdependence" – that the literacy and numeracy averages of British school-leavers are lamentable by the standards of other industrial countries. It was said that only 30 per cent of the population takes more than one 'O'-level, that the Youth Training Scheme, Restart, etc. are "palliatives and gimmicks undertaken to improve the statistics", and that matters could only be improved by an intensive programme, inevitably involving an increase in the state education budget, to raise the status of schoolteachers and reduce the size of classes.

In today's world, and even more in tomorrow's, an educated population is going to be by far the most important national resource of each country. Education should be considered not merely as a "popular spending programme" but as a key element – if not the key element – in national security; and just as much as defence it depends in the last resort on the state: in no successful industrial country has education been financed mainly through the market or by the private sector. Which is the more plausible threat to British national security in the next 10 or 20 years, that the country might be occupied by a foreign invader, or that its population might become little more than a pool of unskilled and largely unwanted labour for more advanced industrial economies?

No doubt it would be foolish to discount the former, but the latter stares us in the face. Yet it could be dealt with seriously only by cutting some other area of expenditure, or by taking a larger proportion of national wealth to finance government. There, too, is a choice that has not been put squarely before the British electorate, but is gradually being taken by default.

**British Defence: A Blueprint for Reform* by Michael Chichester & John Wilkinson (Brassey's Defence Publishers, 1987)

***Options for British Foreign Policy in the 1990s* by Christopher Tugendhot ond Williom Walloce (RIIA/Routledge, 1988)

FINANCIAL TIMES
Tuesday November 15 1988

Benazir Bhutto favoured in Pakistan poll

Christina Lamb assesses the obstacles towards electing a first woman Prime Minister

IN A COUNTRY which revels in national holidays and constitutional confusion, Pakistan's elections tomorrow will throw up a proliferation of both.

The contest will be close and, while the main opposition Pakistan People's Party (PPP) led by Ms Benazir Bhutto is expected to emerge the largest party, it is the President who, under the constitution, chooses the Prime Minister. If Miss Bhutto does not have an absolute majority, President Ghulam Ishaq Khan may well opt for someone outside the PPP and thus avoid calling a woman to lead an Islamic state.

But if the PPP does win an overall majority it will be very difficult not to call Miss Bhutto to form the government. The Prime Minister-elect will have 60 days to form a parliamentary majority and should have no problem gathering the needed support in the opportunistic world of Pakistani politics.

In Pakistan's first public opinion poll the most popular choice for Prime Minister was Ms Bhutto, although her party came second after the Muslim League. Ms Bhutto, Pakistan's most famous and charismatic politician, at 35 is the mother of a new baby and is reported to be in indifferent health.

The pampered daughter of a rich feudal leader, she was educated at Oxford and Harvard and intended to enter the Pakistani foreign service. Her life changed dramatically in 1977 when her father, Mr Zulfikar Ali Bhutto, the Prime Minister, was overthrown by a military coup and later hanged by his usurper, General Zia.

Ms Bhutto has been at the forefront of the fight for a return to democracy since then, but many feel that her campaign has lacked a focus since Gen Zia's death in August and been deprived of the glamour of a young woman struggling against an evil dictator. Nonetheless, she proved last week that she can still draw crowds with the largest gathering Rawalpindi has ever seen.

No longer does Ms Bhutto preach radical socialism or vengeance against those who killed her father, instead concentrating on reassuring the establishment that a PPP government would not upset the status quo.

Ms Bhutto's reassurances may not be enough to allay the fears not just of the army and bureaucracy, but also those voters who remember that, before General Zia, Mr Bhutto also harassed and arrested political opponents.

The nine-party Islamic Democratic Alliance may have had some success in stirring up these fears, but they have failed to project a clear leader. In a marriage of convenience in which everyone wants to be head of the house, there is little love lost between the leaders of the alliance parties.

The man tipped by the establishment to be Prime Minister should Mr Khan be free to look beyond the PPP is Mr Ghulam Mustafa Jatoi, a former leader of the PPP and Chief Minister of Sind under Mr Bhutto.

He fell out with Ms Bhutto in 1984 and formed his own party, which failed in its objective of breaking up the PPP. A likeable man, Mr Jatoi has long looked like a prime minister in waiting, having turned down the job in 1981 and 1984 because he wanted to be democratically elected rather than nominated by a dictator.

As present leader of the IDA, Mr Jatoi, a wealthy Sindhi feudal with a taste for whisky, is preaching the merits of Islam. He has a large national standing but is in danger in his own constituency where he has never previously been defeated. If he wins the prime ministership, his own party will have only a handful of seats in the assembly, rendering his authority questionable.

The largest party within the IDA is the Muslim League, the present government party, claiming descent from that which founded Pakistan. On paper at least its leader is Mr Junejo, the smalltime politician and mango farmer from Sind, picked by Gen Zia to be Prime Minister after the non-party elections in 1985 and then unceremoniously dropped in May when the Government and assemblies were dissolved.

An honest politician in a country where this quality remains a rarity, Mr Junejo too is fighting a tough battle in his own constituency. While some regard him as a "known evil," he is disliked by some leading generals who feel he tried to make political capital out of trying to curb them, particularly trying to pin blame on two generals for the disastrous explosion at the Ojri camp where US arms and missiles for Afghan guerrillas were stored.

The main force in the Muslim League is Mr Nawaz Sharif, a man as colourless as Jatoi is flamboyant and a protégé of Gen Zia, who made the 39-year-old industrialist chief minister of Punjab, Pakistan's dominant province which holds more than 60 per cent of the votes.

Mr Sharif's lack of political background is unusual in a political scene dominated by feudals and he is conscious that his political survival depends on winning these elections.

He is hedging his bets by contesting no fewer than five seats. A patronage politician, Mr Sharif has raised more cheers on his extensive tour for his largesse than his uninspired oratory.

But with backing from Jamaat Islami, the influential religious party, he has become a leading contender for the position of chief executive although his maturity is questioned by the army, whose views cannot be discounted in a country which has spent half its short life under military rule.

Pakistan's main national leaders are, like Mr Sharif, all contesting several seats. If they win them all there will be a flurry of by-elections before the final election result is known. There are, overall, more than eight candidates per seat; most are pro-establishment independents who are likely to eat into the IDA vote.

It is this prospect more than anything else which lies behind the PPP's continuing belief that, in spite of the difficulties, Ms Bhutto's party will secure a majority leading to Pakistan's first woman prime minister.

Benazir Bhutto (above), still drawing the crowds; and Muslim League favourite Nawaz Sharif, minister for the Punjab and a protégé of Gen Zia

PAKISTAN's election campaign came to a close with all nine leaders of the Islamic Democratic Alliance (IDA) yet to meet on the same platform.

Coming the day after opposition leader Benazir Bhutto's huge reception in Pakistan's political capital of Lahore, the IDA's noticeably smaller and less enthusiastic rally in the same city could not avoid attracting unfavourable comparisons. Many buses were empty and some participants claimed that they had been paid to attend.

Lahore is a Bhutto stronghold, and the IDA leader Nawaz Sharif was confident of victory, declaring "We have outmatched them just from the residents of Lahore while they had to bus in people from all over Punjab. They will suffer a historic defeat."

UK coal industry faces more pit closures

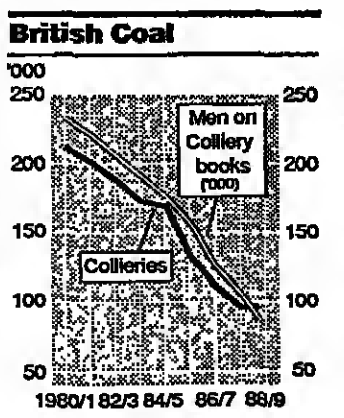
By **Maurice Samuelson** in London

THE BRITISH coal industry is heading for another major round of job losses and pit closures over the next few years as it tries to stay competitive against falling world energy prices.

Some 20,000 jobs and about 10 collieries are believed to be at risk over the next year in a wave of closures reminiscent of the cuts which followed the 1984-5 miners' strike. The figure could be higher if the overtime ban being discussed in the National Union of Mineworkers was to have a serious impact on production.

More contractions may also be inevitable if the privatised electricity industry replaces a significant part of its present British Coal purchases with imported coal or makes greater use of oil and gas.

The Corporation is also under pressure to attain profitability because of the Government's pledge to privatise the industry should the Conservatives win another election.



The industry's daunting new outlook became apparent yesterday following the announcement by Sir Robert Haslam, British Coal's chairman, of the Corporation's first half-year financial results.

After repeatedly announcing over the past year that the industry was "on track" or "on the brink" to break even, he conceded that "only a miracle" would now make that possible, even though the Corporation's first-half operating profits were the highest for more than 20 years.

He blamed the Corporation's harsh prospects on:

● A freeze on its prices due to the oil price collapse;

● The effect of higher interest charges on its debt repayments;

● Higher than expected inflationary pressure on wages;

● The costs of additional closures.

These had imposed additional costs of at least £75m ($135m) for the past five months of the financial year and would amount to more than £200m during the next full financial year "thus adding to the already tough target of breaking even."

Further urgent cost cutting measures, including the reduction of even more high cost coalmining capacity, would be made worse if the leadership of the National Union of Mineworkers persisted in its "adversarial" and "suicidal" role, he warned.

In intensifying this year's run-down, the Corporation has apparently decided to accelerate a process which would have been spread over a longer period had it not been for the latest deterioration in the business environment.

Sir Robert was vague about the scale of this year's redundancies beyond mentioning "further substantial restructuring costs" and agreeing they could be "more than the handful" which he had been predicting a year ago.

However, estimates of 15,000 to 20,000 redundancies over the next year or so are regarded as realistic in Whitehall, with more to follow if the power stations, which consume four-fifths of British Coal's output, switch to other fuel sources.

The cuts may not be confined to the less profitable areas, such as Scotland and South Wales, where at least five pits are in danger. The future of several pits in Nottinghamshire, manned by members of the dissident Union of Democratic Mineworkers, is also under review.

The gloomy outlook is especially disappointing for British Coal given its steady progress in boosting its efficiency. By raising productivity by 75 per cent in the past 3½ years, said Sir Robert, it had achieved a record "unmatched by any other major UK industry in recent times."

As a result of its worsened trading conditions, the Corporation's hope of a bottom line profit increasingly depends on the speed with which the Government wipes out its huge burden of debt, which this year requires interest repayments of some £440m.

Sir Robert yesterday appealed to the Government to speed up a financial reconstruction which would bring it more into line with British Steel whose debt repayment this year would be less than £20m.

The Government has agreed in principle to writing down British Coal's debts in order to allow it to deal on a sound footing with the privatised electricity industry.

PLO policy agreement

Continued from Page 1

Mr Yassir Arafat, the PLO chairman, was still struggling last night to bring the minority of hardliners into a consensus on all of the statement's language but he is assured of a majority if it is put to the vote early today. The adoption the programme will amount to an historic concession to Western demands that the PLO accepts Resolution 242 before it participates in an international conference, and a personal triumph for Mr Arafat.

"There is a now majority for moderation," Mr Salah Khalaf, Mr Arafat's accepted number two, said yesterday. Mr George Bush, US President-elect, would see a need to reappraise Washington's policy.

Initial US reaction to the PNC has been cautious. Western diplomats in Algiers said Washington would not see implicit recognition of Israel as sufficient and would remain wary of Palestinian demands for self-determination. The US has long sided with Israel in opposing an independent Palestinian state.

PLO leaders are jubilant that their organisation has apparently managed – after more than 20 years of equivocations and division – to unite behind what they regard as a realistic peace plan.

THE LEX COLUMN

Double trouble for interest rates

Some semblance of calm returned to the foreign exchange markets yesterday, as the central banks rode to the rescue of the dollar and Mr Bush and his advisers tried to reassure the financial community that devaluation was not part of their plans. Given the speed with which the dollar has declined over the last couple of months, and the imminence of tomorrow's US trade figures for September, it was not hard to engineer yesterday's modest recovery. However, sentiment towards the currency remains negative: and unless there are signs in tommorrow'a figures that the recent improvement in the deficit has not stalled, either US interest rates will have to rise or the dollar is likely to fall further.

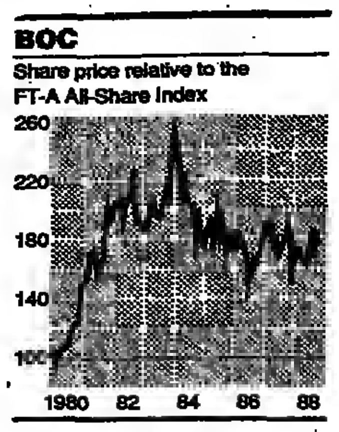
If the US is hoping that it can avoid raising rates to support the dollar because other countries may soon ease their monetary policy, it is being unduly optimistic. A 1.9 per cent jump in yesterday's UK retail sales figures for October is yet another reminder that economic growth in many of the world's major economies remains surprisingly robust. On a three month basis, the growth in UK retail sales volume does not look quite so extravagant; but when combined with the latest evidence of demand-pull inflation, it is another sign that the UK's high interest rate policy is taking longer than expected to achieve results. It would be too pessimistic to suggest yet that the next move in UK interest rates will be up, but a few more sets of figures like yesterday's must begin to point towards this conclusion. For the moment, the UK equity and gilt markets remain much more interested in the fortunes of the dollar and Wall Street, and yesterday chose to treat the latest UK sales figures with scant concern. They may have second thoughts later in the week, especially if the dollar steps off centre stage.

Abbey Life

Abbey Life shareholders would be well advised to hang on to the 81-page merger document which yesterday's egm tossed out as a basis for a deal with Lloyds Bank; they may be seeing it again. Abbey and its advisers seem to be reasoning that if 75 per cent of the shareholders cannot be persuaded of the merits of a deal, then the answer is not to amend the deal but to change the number of shareholders needed to approve it.

If that were all there were to it, of course, Warburg might have saved itself the trouble by constructing a deal which required only a simple majority in the first place. To put forward such a deal now would require two things: Lloyds' agreement not to insist on representation on the merged company's board, and enough sheer cheek from Abbey to send out the same merger document twice.

Abbey would presumably prefer not to antagonise major shareholders in this way, but it may have little choice. Lloyds still seems to be insisting that it will do the deal on ideal terms, or not at all. And to make the merger acceptable to shareholders without any sleight of hand on the size of themajority would require that Lloyds give up the idea of controlling Abbey, or pay more for the privilege. It is difficult to see why Lloyds should do either just at the moment. The Abbey for-sale sign has been up for so long that Lloyds would be forgiven for thinking itself the only suitor; and if it is alone in that role, it can only gain by making Abbey squirm.



BOC

Judging by yesterday's full year figures, BOC is not quite as immune from the cycle as it would have us believe. Industrial gases have had their best year's volume growth since the recession, thanks at least partly to the worldwide boom in industrial investment; and in the US, where the market is at its most cyclical, profits from gases have jumped by 20 per cent. It is true that the business has more contractual stability than most industrial suppliers, and by comparison with the last recession, far more of BOC's output now goes to consumer industries like frozen food. But in giving the shares a price-relative pattern not unlike ICI's in recent years, the market is expressing a degree of caution.

Then again, it is not every company that forecasts dividends nine months ahead – nor indeed, has its projected US profits for next year entirely hedged at $1.67. Despite earnings growth this year likely to equal the UK average, at 414p the shares are at a discount of over 12 per cent to the market. There is scope for some re-rating, but not much: unless, of course, someone else spots the attractions of an enormously cash-generative company now nearing the peak of its own internal investment cycle.

Mountleigh

The boardroom bust-up at Mountleigh and the rapid shuffling of share stakes is hardly going to reassure the more nervous shareholders. It was one thing investing in Mountleigh when Mr Clegg had a substantial part of his fortune tied up in the company; but now that he is just another hired hand, one must wonder who is really pulling the strings. The company has obvious management problems and the value of its assets is uncertain. There is no obvious reason why the company should be more highly rated than Land Securities, other than bid speculation.

Unilever

Food and detergents, it seems, can have their boom times like everything else. Unilever's volume in the third quarter is running 4 per cent ahead, and margins in Europe and the US are between two and three percentage points higher than they were a couple of years ago. The company is at pains to point out, though, that the old effect of the business cycle on margins should scarcely apply any more: the cyclical businesses, such as edible oils, paper and transport, have almost all gone.

In investment terms, all this was taken care of in the big re-rating of the shares between 1985 and 1987. It might be thought in these demented days that Unilever's cash flow would lure the US investment banks; but on a typical US food company's cash flow multiple, it would cost some $27bn, and it is protected by its part-European share ownership and Anglo-Dutch structure. That leaves only the fundamentals, and with the p/e just over 10 at 458p those look drably respectable.

Thatcher on inflation

Continued from Page 1

financial markets was that the Government would aim to ensure that, while the small investor remained protected, the City of London would not become overregulated. Financial institutions should in turn respond by providing an efficient service at reasonable cost to the new generation of capitalists.

In a broad review of foreign policy embracing both her strong views on the European single market and her determination to crack down further on terrorism in Northern Ireland as well as East/West relations, Mrs Thatcher emphasised her hopes for continuity in US policies.

Mrs Thatcher will meet Mr Bush on Thursday after attending tomorrow's farewell banquet for President Reagan. East/West relations, the US economy and the Arab/Israeli conflict are expected to top the agenda.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	C	13	55	Malta	R	23	73	Rhodes	F	15	59
Algiers	F	21	70	Edinburgh	S	11	52	Manchester	C	10	50	Rio de J'o	C	36	97
Amsterdam	R	11	52	Faro	F	20	68	Manila	F	32	90	Rome	R	14	57
Athens	R	14	57	Florence	C	17	63	Melbourne	C	17	63	Salzburg	R	05	41
Bahrain	C	28	82	Frankfurt	C	09	48	Mexico City	F	24	75	San Francisco	F	16	61
Bangkok	C	28	82	Funchal	S	21	70	Miami	C	26	79	Seoul	F	08	46
Barcelona	S	19	66	Geneva	C	12	54	Milan	S	10	50	Singapore	R	31	88
Beirut	F	17	63	Gibraltar	F	18	64	Montreal	C	06	43	Stockholm	F	03	37
Belfast	C	07	45	Glasgow	F	12	54	Moscow	C	-2	28	Strasbourg	C	08	46
Belgrade	F	08	46	Guernsey	S	11	52	Munich	C	05	41	Sydney	S	25	77
Berlin	R	09	48	Helsinki	C	02	36	Nairobi	C	23	73	Taipei	R	23	73
Biarritz	C	12	54	H. Kong	C	21	70	Naples	F	19	66	Tangier	F	21	70
Bombay	S	32	90	Innsbruck	C	06	43	Nassau	C	29	84	Tel Aviv	S	18	64
Bordeaux	S	13	55	Inverness	F	12	54	New Delhi	C	29	84	Tenerife	F	23	73
Brussels	C	10	50	Islamabad	F	27	81	New York	F	14	57	Tokyo	R	18	64
Budapest	R	04	39	Istanbul	C	11	52	Nice	C	18	64	Toronto	C	09	48
B. Aires	F	27	81	Jakarta	R	34	93	Nicosia	F	17	63	Tunis	F	22	72
Cairo	F	21	70	Jersey	S	12	54	Oporto	S	20	68	Valencia	S	20	68
Cape Town	S	23	73	Jo'burg	F	22	72	Oslo	C	05	32	Venice	S	11	52
Caracas	S	27	81	Lima	C	21	70	Paris	C	12	54	Vienna	R	07	45
Casablanca	S	20	68	Lisbon	F	23	73	Peking	F	10	50	Warsaw	C	05	41
Chicago	C	04	39	London	F	11	52	Prague	C	06	43	Washington	C	05	41
Cologne	C	09	48	Los Angeles	F	20	68	Reykjavik	C	08	46	Zurich	S	10	50
Copenhagen	F	07	45	Luxembourg	C	08	46								
Corfu	F	17	63	Madrid	S	17	63								
Dallas	C	19	66	Majorca	F	21	70								
Dublin	F	11	52	Malaga	F	20	68								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Spain and Portugal become members of Western Union

By **Robert Mauthner**, Diplomatic Correspondent, in London

SPAIN and Portugal yesterday formally became members of the Western European Union, subject only to parliamentary ratification by the nine member countries, thus completing the integration of Madrid and Lisbon into the Western world's main international organisations.

Their entry into the European defence grouping, which at its founding in 1948 was the first expression of Western Europe's identity after the Second World War, was symbolised by the signature of a Protocol of Accession by the foreign ministers of the Nine at their regular six-monthly meeting in London.

The two countries, which are already members of the European Community and the North Atlantic Treaty Organisation, began negotiations to join the WEU barely seven months ago.

The speed with which the negotiations were completed is an indication that some of the main problems involving Spanish membership of Western defence organisations were circumvented rather than solved.

However, Sir Geoffrey Howe, Britain's Foreign Secretary and chairman of the meeting, claimed that the discussions had not been a formality.

Both countries had made clear their willingness to accept and implement the Brussels Treaty, as modified in 1954, as well as other basic documents setting out the organisation's guiding principles, in particular the Defence Platform adopted last year.

Sir Geoffrey stressed that Spain and Portugal had both made it clear that they saw no alternative, in the foreseeable future, "to a strategy of forward defence and effective deterrence based on an adequate mix of nuclear and conventional forces."

Both countries were also restructuring their armed forces and both agreed that WEU members must maintain an adequate level of defence spending. Spain, for its part, planned to make contributions to the common defence effort through co-ordination agreements with Nato chiefs.

Spain has won several concessions to take account of its special attitude towards nuclear problems and Nato's defence arrangements. It has refused to become a member of Nato's integrated military command. Other WEU members have accepted this special status within the Alliance. Madrid will also not be required to accept nuclear weapons on its soil.

Finally, to prevent the perceived risk that Britain might take the Gibraltar dispute to the International Court in The Hague, agreement has been reached that any dispute which arises between Spain and another member before Spain's entry into the WEU will not be submitted to the Hague Court, as provided for in the original Treaty.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 15 1988

INSIDE

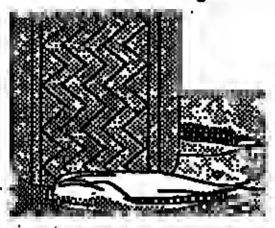
Chase sharpens its strategy for 1992

Chase Manhattan is adjusting its European strategy ahead of the creation of the unified EC market in 1992. The third largest US bank has decided to concentrate on wholesale banking services for major corporations and upmarket private banking for individuals. As a rule, operations that do not fit into these areas will be sold or transformed. Page 28

All eyes on Vienna

Tomorrow's pricing of the share issue for Verbund, Austria's leading utility, brings to an end one of the most sophisticated and successful marketing campaigns aimed at expanding Austria's small capital markets. The omens for the listing look good, thanks largely to a steady rise in the Vienna bourse index recently. Judy Dempsey reports. Page 50

Zambian crops rot by roadside



The production of maize is the aingle most important element in Zambie'a domestic consumer economy. But through gross mismanagement and waste, the country loses an average 23 per cent of each year'a crop. This year'a performance has been particularly dismal. The state organisation responalble for maize collection ia in disarray, and 30 per cent of what promised to be a bumper harvest has been left to rot by the roadaide. Page 46

A rap on the knuckles for securities regulators

Since the world stock market crash a year ago, little if any progress has been made on the global coordination of securities regulation needed to prevent destabilisation of the world's financial aystem. That, at any rate, is the view of the Organisation for Economic Cooperation and Development, which criticises the proliferation of bilateral regulatory deals. Page 33

BOC breaks through £300m

BOC, the UK Industrial gases and healthcare group, has reported pre-tax profits in excess of £300m ($540m) for the first time. Mr Richard Giordano (left), chairman, said that although the prolonged boom in the US and other economies was expected to pause, BOC had enough momentum to generate another year of good growth. The group's investment programme had paid off, aince the capacity was in place to meet the increased demand resulting from a aurge in capital apending in the industrial economies. Page 34

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Chief price changes yesterday

FRANKFURT (DM)				Valeo	634	+	11
Rises				Gen des Eaux	1495	+	70
Mannesman	182.8	+	4	**Falls**			
Volkswagen	306.5	+	6.5	Fichet-Bauche	970	–	104
Degussa	370	+	7	Vallourec	235	–	20
Falls				Maisons Phenix	58.5	–	4.5
Veba	223.5	–	2.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				[illegible]	827	+	100
Air Cargo Equip	8¼	+	⅞	[illegible]	950	+	100
[illegible]	117	+	[illegible]	Fujitsu Den	858	+	100
[illegible]	9	+	1½	**Falls**			
Falls				Yamaha	1810	–	110
Control Data	17⅞	+	1½	Kyoei Sangyo	1450	–	100
[illegible]	60½	+	1¾	Royal	2180	–	150
[illegible]	4	+	[illegible]				
PARIS (FFr)							
Rises							
Bail Equip.	298.7	+	5.2				
New York prices at 12.30.							
LONDON (Pence)				Dalgety	316xd	–	8
Rises				Enterprise	551	–	5
Bassett Foods	292	+	13	[illegible]	£10⅞	–	¾
Granyte	125	+	22	[illegible]	[illegible]	–	⅛
[illegible]	184½	+	10½	Lex Service	349	–	19
Norfolk Cap.	37½	+	2	Lucas	590	–	7
Scott Robertson	230	+	20	McKechnie	311xd	–	6½
Shell Trans.	574	+	9	Unilever	458	–	12
Wembley	136	+	7				
Falls							
BII & Comm.	394	–	8				

Secretive twins set to join top shipowners

Kevin Brown on the Barclay brothers, the British financiers who have bid for Gotaas-Larsen

THE Barclay twins, the British financiers whose bid for Bermuda-based Gotaas-Larsen is likely to put them in the top bracket of UK shipowners, were playing characteristically hard to get yesterday.

"We don't normally seek publicity because our interests are private and there is no incentive for us to talk about our business affairs," said Mr David Barclay, the elder of the brothers by 10 minutes.

Mr Barclay's response was entirely in tune with a 30-year career during which the brothers' reaction to media questions has rarely been anything other than "no comment."

None the less, the deal sheds some light on the activities of the mysterious duo, who started as estate agents and got their first experience of shipping when they turned round the loss-making Ellerman group in the early 1980s.

Ellerman had been losing money for eight years, and had debts of £16m when it was acquired by the Barclays in 1983. The company, one of the UK's most famous shipping companies, was sold at an undisclosed profit to its management two years later.

The Barclays operate from Ellerman Lines' former offices in the City of London, where they have a team of just seven people to control a private empire which now includes hotels, property, brewing and shipping.

The Cadogan, Kensington Palace and Londonderry in London, and the Howard in New York are among hotels which have passed through their hands. They still own the Howard in London and the Mirabean in Monte Carlo.

The brothers also own a substantial London property portfolio acquired recently for £120m ($216m) from Mr Alan Bond, the Australian brewing magnate.

In the US, they own a controlling 94 per cent stake in Gulf Resources and Chemical Corporation, through which they launched an abortive £750m bid two years ago for Imperial Continental Gas Association.

Although that bid was unsuccessful, it was an indication of the brothers' ability to spot undervalued assets and to act quickly when opportunities present themselves.

The £750m bid for IC Gas was highly leveraged, since Gulf Resources only had a market capitalisation of some £90m, and the Government cited this as the reason for referring the offer to the Monopolies Commission.

Gulf subsequently dropped the bid, but it had succeeded in putting IC Gas "into play" and the company was subsequently demerged into two businesses.

Gulf made a handsome sum out of all this. It had built up a stake of some 12 per cent in IC Gas and made a total pre-tax profit of more than £27m on the investment, transforming the financial performance of the company.

The brothers' other interests include significant investments in a number of US media companies, and the South African freight forwarder Ellerman Buckell, based in Cape Town.

Their holdings are mostly personal – there is no master company in the Maxwell mould – and there is little central control. Gotaas-Larsen, like most of the other businesses, will be left under the day-to-day control of its existing management.

Mr Barclay says the brothers have no ambitions to move into the quoted sector: "Being a private company is a luxury which allows you to retain personal control of your own business without having to answer to shareholders, and allows you take a long-term view."

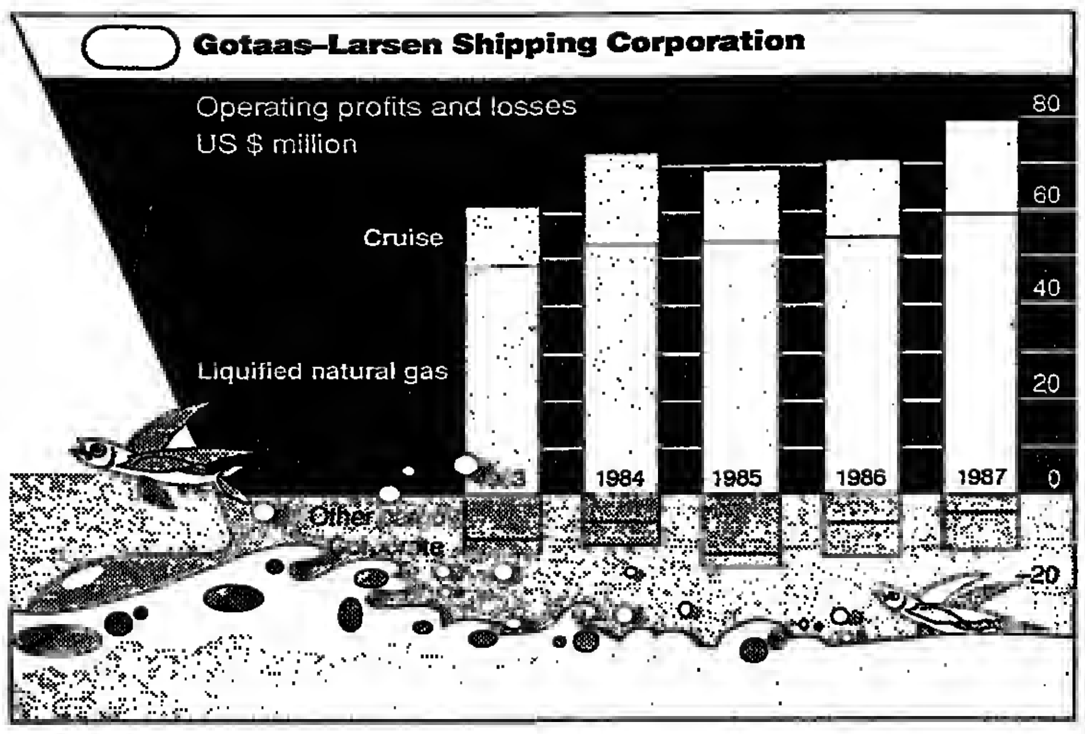
Neither is the nature and timing of investments dictated by a long-term master plan. "We regard ourselves as serious and disciplined business people doing a job; we take opportunities as they arise, and we don't have any pre-conceived ideas about what directions we should go in," said Mr Barclay.

Nevertheless, analysts said the Barclays appeared to have pulled off a minor coup with their $48-a-share recommended offer for Gotaas-Larsen, which values the company at $670m.

"The price looks a bit stingy; I think the company is probably worth another two or three dollars per share," said Mr Dan White, shipping analyst at County NatWest in London.

"On the other hand, you have to remember that they were pushing at an open door because the company had virtually invited offers, and no-one else came forward."

One of the reasons for the lack of bidders may have been the slightly chequered history of Gotaas-Larsen, which has been going through a management shake-up this year.



The company was originally Norwegian-owned, but was acquired by I U International, the US conglomerate, before being spun off on the US over-the-counter market in 1973, mainly to institutional shareholders of its former parent.

The independent company ran into serious financial problems in the early 1980s after the delivery of a liquid natural gas (LNG) carrier which had to be laid up for several years because of a surplus of shipping capacity.

Gotaas-Larsen made a net profit of just $3.4m in 1983, but profits have since recovered steadily to $37m last year, and $46m for the first nine months of this year. The forecast for the full year is around $60m.

However, the company's top management was split recently on tha sale of its interest in the Royal Admiral cruise line, which eventually went for $375m to Wilhelmsen of Norway.

Despite this, Gotaas-Larsen had several attractions for the Barclays. Its fleet of 18 ships is modern and well run, and generates a strong cash flow. Most of the profits come from five LNG ships, all of which are on long term charter.

The rest of the fleet has not been trading profitably, but prospects are improving for most of the ships. For example, a liquid petroleum gas (LPG) carrier which was on a long-term charter at low rates, was re-chartered at the beginning of this year on much better terms.

Additionally, there is a relatively bright outlook for the seven very large crude oil carriers (VLCCs) for which rates have shown a significant improvement.

Mr Erik Andersen, a market analyst with R S Platou, the Norwegian shipbrokers, says the world tanker fleet is likely to grow by 1¼ to 2 per cent next year, compared to forecast growth in demand of 2-3 per cent.

This implies that VLCC rates, which have improved from around $12,000 per day early this year to around $22,000 per day, should continue to rise (though they are still well short of the level of around $30,000 per day required to justify replacement of ships).

Gotaas-Larsen has one other attraction for the Barclays – a series of seven ships now being delivered from South Korea, each of which is worth around $15m more than the company is paying for it.

This windfall profit, which arises from a sustained improvement this year in second-hand ship prices, will add more than $100m to the company's asset value by the end of next year.

Abbey Life fails to gain approval for merger plans

By Nick Bunker in London

ABBEY LIFE, the UK-based unit-linked life insurer, last night began seeking a new way to win approval for a merger with five Lloyds Bank insurance and financial services businesses after large institutional shareholders voted down its original proposal.

At a two-hour meeting at London's Savoy Hotel yesterday, Abbey's shareholders backed the plan in principle, by a margin of nearly 20 per cent of votes cast.

Abbey's board failed though to gain the 75 per cent majority needed to pass four special resolutions enabling it to amend its articles to implement its plan to buy five businesses from Lloyds and give the bank 57.6 per cent of the enlarged group.

Institutional opponents of the deal included the PosTel pension funds, with 4 per cent, Clerical Medical life assurance with 3.9 per cent and Standard Life with 2.9 per cent.

Showing few signs of emotion after the meeting at which he faced accusations of a "sell-out" from small shareholders, Mr Michael Hepher, Abbey's chairman, said: "The one thing we are not going to do is try to wangle this thing through."

But in view of majority support for the concept of a merger, the board had to explore "any other feasible ways" of completing it and consult further with shareholders.

His supporters were irritated though by the low turn-out of shareholders' voting. Only about 150m shares, representing about 52 per cent of Abbey's equity, were voted either way.

Voting on the main resolution approving the merger, which required only a 50 per cent majority, was 86.6m in favour (59.2 per cent), and 59.8m against.

The four special resolutions each received between 94.3m and 96.7m votes in favour, or between 64.4 and 66.1 per cent of votes cast.

Of 21 shareholders who commented from the floor, only two, one of them an Abbey Life salesman, backed the plan. Tha meeting was dominated by protests from investors at the proposal to give Lloyds control of Abbey without a full bid.

Mr Andrew Threadgold, chief executive of PosTel, said the proposal had "many good and attractive aspects." But, he added: "We think it is wrong for a company to gain control of another without testing in the market the price for that control."

Mr Threadgold said later PosTel could support a deal if it excluded Lloyds Bowmaker, the bank's finance house, bringing the bank's share of the enlarged Abbey below 50 per cent.

One option already ruled out hy Abbey however is exclusion of Bowmaker. Mr Hepher also said the chance of Lloyds agreeing to any proposal that would give it less than 50 per cent of Abbey was "very remote."

At Lloyds's own shareholders' meeting yesterday which backed the plan by an overwhelming majority, its chairman, Sir Jeremy Morse, said Lloyds would be disappointed if Abbey shareholders vetoed the merger.

Lex, Page 26

Mountleigh sacks top executive

By Paul Cheeseright, Property Correspondent

MR JOHN Duggan was sacked yesterday as chief executive of Mountleigh, the UK property group he was trying to restructure.

His departure comes a month after be took the poat to strengthen Mountleigh's management. It follows a series of disagreements with Mr Tony Clegg, who built up the company and was chairman and chief executiva until illness led him to install Mr Duggan as chief exectntive. Mr Clegg now resumes both positions.

Until the end of last year, Mountleigh had enjoyed three years of rapid growth, based on its ability to buy property portfolios and break them up for sale at a profit. Its share price had e dizzy rise before the equities crash in October 1987, but has been depressed since.

The management npheaval comes against amid changes in Mountleigh's equity ownership.

SASEA Holding, a Swiss company with stakes in Belgian and Italian banks and properties in France, has built up a 13.37 per cent stake in Mountleigh – seen in London as a platform for a bid.

Its latest purchase, of 5.4 per cent of Mountleigh – from a group whose members included Mr Clegg, two non-executive Mountleigh directors and, at one stage, Mr Duggan – involved paying £25m for 12.5m shares.

Howaver, Mr Duggan withdrew from the consortium about two weeks ago and knew nothing of the sale beforehand.

Struggle of the trader and the accountant, Page 34

Aachener pays DM700m for a 25% holding in Volksfürsorge

By Haig Simonian in Frankfurt

AACHENER und Müncbener (A&M), West Germany's fifth biggest insurance company, which is 20 per cent owned by Royal Insurance of the UK, is to buy a 25 per cent stake in Volksfürsorge, one of Germany's biggest insurers, in a deal which will catapult it into the second place in German insurance behind Allianz, Europe's biggest insurer.

A&M is paying around DM700m ($402m) for a stake of 25 per cent plus one share in Volksfürsorge, which is owned hy Germany's trade unions througb their holding company, the Beteiligungsgesellschaft für Gemeinwirtschaft (BGAG).

La Fondiaria, the leading Italian insurer, with which A&M has had a long business relationship, is buying a similar-sized stake, giving the two groups overall control. La Fondiaria, which is majority owned by the Ferruzzi group, is Italy's ninth largest insurance group, bnt has so far had a relatively modest presence elsewhere in Europe. A&M will be responsible for managing the concern.

Financing for the deal, which has already been put to the German cartel anthorities and egreed in advance witb Royal Insurance, remains unclear. The Aacbener und Münchener group, whicb has systematically sold off minority stakes in other German insurers in the past two years, is now believed to have substantial liquid funds available.

The transaction will further promote the plans by Mr Helmut Gies, A&M's expansion-minded chief executive, to develop the company into a leading financial services group. Two years ago, Mr Gies negotiated with tha BGAG for the DM1.9bn purchase of a controlling stake in Bank für Gemeinwirtschaft, which is now working increasingly closely in providing joint insurance, banking and mortgage services with the A&M group.

Framatome seeks US expansion

By Paul Betts in Paris

FRAMATOME, the French nuclear power plant manufacturer 40 per cent owned by the privatised Compagnie Générale d'Electricité (CGE), is negotiating an important new joint venture agreement with Babcock and Wilcox of the US in an effort to expand its presence in the North American nuclear power market.

Although Framatome said yesterday the talks were only at a preliminary stage and that no agreement had yet been signed, the French group also suggested they involved more than a co-operation agreement in the nuclear field with the US group.

The discussions are understood to centre on the constitution of a new joint venture company hetween the French and US nuclear groups which could involve not just nuclear services but the broad nuclear activities of Framatome and Babcock.

The two companies are already co-operating in the nuclear fuels sector with two other French companies, Cogema and Uranium Pechiney. The three French companies set up a joint venture with Babcock last year to manufacture pressurised water reactor fuel assemblies and market these assemblies and associated services to electricity utilities in the US and Canada.

Framatome said yesterday that the current talks with Babcock were "a natural extension" of the successful Franco-American co-operation in nuclear fuels.

The latest discussions with Babcock reflect Framatome's increasing efforts to negotiate major alliances with other international nuclear power groups to consolidate its competitive position in the nuclear industry at a time of shrinking world demand for new nuclear plants.

Mr Jean-Claude Leny, Framatome's chairman, confirmed earlier this year that the French group was seriously considering alliances in the nuclear sector with major competitors.

Apart from negotiating agr ments with other leading nuclear reactor gronps, Framatome is also actively seeking to diversify into new sectors to compensate for the decline in its traditional nnclear activities. The gronp failed this year to acquire control of Télémécanique, the French industrial automation company, after a fierce takeover battle finally won by the French Schneider group.

Framatome's sales are expected to decline to about FFr10.7bn ($1.8bn) this year from FFr11.4bn last year. Net profits are also expected to decline to abont FFr800m this year from FFr913m.

● Campenon Barnard, the French civil engineering and construction group, announced yesterday that it had won a FFr9m contract to supply technical assistance for the construction of two units of 1,000 megawatts for the Hungarian nuclear power complex of PAKS about 100km south of Budapest.

Control Data forecasts loss for fourth quarter

By Roderick Oram in New York

CONTROL DATA, the US computer group struggling to make e major reorganisation pay off, expects to report a fourth-quarter loss that could cancel out its slender profits from the first nine months. It expects to break even for the year but any further slippage would give it its fourth annual deficit in a row.

The stock market, concerned by the latest delay in the company's recovery from its mid-1980s financial crisis, knocked its shares down $1⅞ to $17⅞, e discount of some 30 per cent from the company's book value. Net profits so far this year totalled $14.5m or 34 cents a share, including a $7.2m extraordinary gain.

Minneapolis-based Control Data said problems in its computer products division were the main reason for its loss forecast. In particular, its Cyber 960 mid-range computer hes suffered production start-up delays compounding an earlier shortage of semiconductors.

Mr Robert Price, chairman, said the company believes the business will be made up in suhsequent qnarters. "The hulk of the change (in outlook) is due to timing as opposed to lost business."

Two other key businesses, VTC which makes semiconductors and Government Systems, are also experiencing weaker than expected demand. On the positive side, analysts believe its Imprimis disk drive division is holding its own and its business services division is outperforming its plan.

"They were playing with only a thin margin to begin with and they had expected to take only e small step forward," said Mr Kurt Rivard, an analyst with Dain Bosworth in Minneapolis. "Now they're taking a step backwards."

Not all the difficulties are of Control Data's making. For example, the The US market for mid-range computers is generally weak, Mr Rivard said. But it continues to wrestle with a number of problems such as software delays that have hurt sales of its new ETA range of supercomputers.

"We won't have any problems getting through the present period," said Mr John Bnckner, Control Data's chief financial officer. The company had negative cash flow totalling $280m by the end of the third quarter and started the fourth quarter with $80m cash. He was optimistic, however, that it would be in a positive cash position at year-end. He forecast a positive cash flow in the first quarter of next year.

If it does need further funds, it can draw on a $100m line of credit established this summer with a group of nine banks. Its total debt is currently about $390m, or some 40 per cent of total capital, down hy ahont $45m from the beginning of the year.

K mart heads for record results

By Our Financial Staff

K MART, the second largest retailer in the world, is expecting record sales and earnings this year after e strong performance in the first nine months.

The US group saw sales accelerate in the third quarter, compared with the rate of increase in the first half of the year, and it is optimistic about the coming Christmas season. K mart said sales had been boosted by lower shelf prices, a strengthened advertising programme and various merchandising programmes.

For the third quarter the group, which has been revitalising its discount department stores, reported record earnings and sales. It lifted net income to $126.1m or 63 cents a share, from $110.1m or 54 cents last time, on sales of $6.4hn, compared with $5.97bn. Gross margins in the quarter were down, however, from 27.4 per cent to 26.9 per cent, partly because of the lower shelf prices.

Net income in the first nine months rose to $409.7m or $2.04 a share, from $371m or $1.82 in the same period last year,on sales of $18.9bn,compared with $17.9bn. In 1987 full-year sales were $25.6bn.

K mart said it was continning to make progress in its inventory management and expense control programmes which are enahling it to rednce labour costs further by monitoring sales and inventory more effectively.

At the end of the latest quarter, 1,113 stores were linked to its point-of-sale systems, compared with 729 e year ago.

The effectiveness of the gronp's cost control is reflected in reduction in the selling, general and administrative ratio which fell by 0.3 per percentage points to 23.8 per cent, compared with the same period last year.

● Big B,the US discount drug stores group,lifted third quarter net earnings to $741,000 or 10 cents a share from $639,000 or 8 cents.

Nine-month net income was $4.9m or 67 cents against $3.9m or 50 cents. Sales rose to $188.3m from $178.4m.

Chase adjusts European strategy

David Lascelles reports on the US bank's planning for EC 1992

Chase Manhattan, the third largest bank in the US, is adjusting its European strategy in anticipation of the creation of the unified EC market after 1992.

The bank has decided to concentrate on two areas: wholesale banking services for major corporations, particularly corporate finance, and upmarket private banking for individuals. With one or two exceptions, operations which do not fit into these areas are either being sold or transformed.

Mr Thomas Lahrecque, Chase's president, said after a European tour last week: "We fundamentally have said to ourselves, no matter what happens after 1992, there will be a role for us."

Chase takes the view that it cannot compete directly with the major local banks in EC countries. "It would be insanity for me to think about spending a dollar on that," said Mr Labrecque. Instead, Chase intends to develop its strengths, which it sees as its hanking expertise, its large execution capability and global reach.

Chase's European strategy will be centered on the UK, where it has set up a large data processing facility in Bournemouth, and has installed London-based specialists in corporate finance, risk management and banking services to support the smaller offices on the continent. In the City, Chase also has its securities operation, created at the time of the Big Bang.

Typical of the changes envisaged by Chase was its decision a year ago to sell its Dutch offshoot, NCB, and pull out of the traditional banking market in the Netherlands. Now, Chase has only a dozen people there concentrating on corporate finance work.

A similar change of direction may occur in Belgium where Chase owns the Banque de Commerce. Mr Labrecque declines to discuss his plans for the bank, but a sale seems on the cards.

In Germany, Mr Labrecque foresees a greater emphasis on corporate finance to bring the Chase operation more in line with that in Paris, which he calls "more highly developed."

The more specialised services which Chase will continue to offer include credit cards and mortgages in selected countries like the UK and Spain, where Chase now owns a bank which will be tailored towards the individual banking market.

Thomas Labrecque: 'If after 102 years we are told to close up shop. . .it's not going to happen'

Mr Lahrecque says he believes the 1992 plan will go ahead and have an extensive impact on the European market, despite doubts about its shape and form. He said: "It is clear to me that the activity seen so far of major European banks extending their banking capacity by buying rather than building will continue. But I expect to see them preserve the local identity of the banks that they buy."

Although he is concerned about the danger of the EC huilding a protective barrier around its integrated market, he doubts that it will affect Chase, which has had a presence in Europe for more than a century. He commented: "If after 102 years we are told to close up shop. . .it's not going to happen."

Mr Labrecque also believes that sufficient progress will be made on US bank law reform between now and 1992 to remove any problems about reciprocal eccess to the EC market. He expects that banks in the US will be able to adopt holding company structures which will enable them to enter types of business from which they are currently barred.

Ramada to sell restaurants and hotels side

RAMADA, the US hotels, gaming and restuarants group, is to sell its hotel and restaurant businesses, refinance its debt, and pay shareholders a cash dividend of at least $7 a share as part of its previously announced restructuring plan.

Net income of $9.8m is projected for 1989, against $6.3m for 1987. No figures are forecast for 1988, reported Reuter.

The company said it bed sent shareholders details of the restructuring plan as an alternative to a $10 a share bid by the Pritzker family, earlier rejected as inadequate. Ramada said the Pritzkers offer expired on November 2 and has not been renewed.

Remada added that the restructuring was designed to transform the company into primarily a gaming business.

The group said once it sells its hotel and restaurant businesses, the associated debt of about $233m will be eliminated, and a substantial part of the remaining debt will be refinanced or renegotiated.

Honeywell Bull unveils new mainframe computer

By Alan Cane

HONEYWELL BULL, the computer manufacturer owned jointly by Groupe Bull of France, Honeywell of the US and NEC of Japan, yesterday announced a new mainframe computer family which could help to slow or possibly reverse the steady erosion of its share of the world large computer market.

The new computers, the DPS 9000 range, are claimed to be the most powerful of their kind. The top-of-the-line DPS 9000/94T is said to be the first commercial computer system capable of processing more than 1000 transactions every second, more than three times as fast as any previous Honeywell mainframe. It costs about £15m ($27.25).

Transection processing, where users conduct a dialogue with the computer using information that is continuously being brought up to date, is seen as an important trend in modern data processing. To date, however, large transaction processing systems – airline reservation systems, for example, where thousands of check-in clerks are continuously monitoring seat availability – have been custom built using special hardware and specially written software programs.

The new Honeywell Bull machines are designed to appeal to large companies, government departments and public authorities running networks of several thousand terminals or workstations.

Honeywell Bull emphasises that its "open systems" philosophy means that it would be comparatively simple to incorporate one of its new computers in a network of machines from other manufacturers.

It is hoping that companies which would not consider using Honeywell Bull computers as their principal data processing system will be tempted by the transaction processing capabilities of the new range.

Gencor earnings ahead after 8 months

By Jim Jones in Johannesburg

GENCOR, South Africa's second-largest mining house, lifted attributable earnings by one sixth in the eight months to August 31, despite lower contributions by the group's gold and coal mining interests and a virtually unchanged contribution from platinum.

The house has changed its year-end to August 31 from December 31 and, on a comparable basis, the eight months' attributable earnings increased to R475m ($198.4m) from R407m in the comparable period of 1987 and against R654m in calendar 1987.

Mr Derek Keys, the chairman, says gold's contribution dropped to R95m from R115m as mine operating profits declined and as Gencor sold gold investments to finance its participation in the new Oryx mine in the Orange Free state.

In Brazil the group has raised US$90m to finance a doubling of its gold production in that country to about 320 kilograms a month. Mr Keys says the group's intention is that its Australian interests should be self-financing as, too, will be its British interests if subsidiary Malbak's bid for M.Y. Holdings succeeds. He does not expect any slowing of the South African economy to affect Gencor this year as group earnings are largely derived from exports.

During the past eight months, metals and minerals provided R140m of the attributable profit, against R99m in the corresponding 1987 period, largely because of higher sales and prices of ferro-alloy and ore exports. Coal's contribution fell to R1m from R18m as Trans-Natal was affected by lower exports and e deteriorating domestic market.

The group's next major projects are likely to be a synfuels venture to produce oil from a shale known as torbanite. The project's viability depends on financial inputs from the state's Central Energy Fund, which has e 50 per cent interest in the venture. Mr Keys expects to be able to take a decision on the torbanite venture by June next year. It will be followed by an additional investment in off-shore gas production in 1992, when state-owned Soekor produces its first gas from fields south of the coastal town of Mossel bay. Gencor has a 20 per cent interest in drilling in the area.

Earnings were 485 cents e share against a total of 669 cents in 1987. A dividend of 180 cents has been declared. Last year, a total dividend of 250 cents was paid.

● Vansa Vanadium, the South African ferro metals producer, suffered e pre-tax profit drop in the year to September 30, even though operating income increased with improved chrome sales and the commissioning of the new vanadium mine. Interest receipts dropped as cash resources were absorbed by capital spending on the new mine.

The vanadium mine was commissioned in June and was operating at 60 per cent of design capacity by end-October. Full monthly production of 250 tonnes of vanadium pentoxide flake is expected by March next year.

The directors say chrome production and sales were satisfactory despite labour stoppages during the year. They expect demand for chrome ore to remain buoyant, due to the stronger ferro-chrome market.

Trading profit before interest receipts and tax payments was R6.1m against R5.5m previously and the pre-tax profit fell to R5.9m from R7.4m.

Vansa's other main interest is its holding of 7m shares in Barplats which is establishing a green fields platinum mine. Cost over-runs at the vanadium mine led Vansa to borrow R21m and the company has not declared a dividend.

INTERNATIONAL COMPANIES AND FINANCE

Land development boosts Japan property companies

By Gordon Cramb in Tokyo

JAPANESE property companies are showing substantial profit gains as the effects flow through from the country's land development boom.

Mitsui Real Estate Development, the largest in the sector, yesterday reported a 41.9 per cent pre-tax jump to Y25.8bn ($202m) for its first half to September, on revenues 28.9 per cent higher at Y222.9bn. Net earnings were 37 per cent up at Y12.3bn.

The group has activities across the property business from initiating office projects to operating sales agencies for housing. It said higher residential prices played a large part assisting the latest result.

Mitsui Real Estate is ranked among the top three builders of condominium apartments – along with Recruit Cosmos, the company currently embroiled in a securities scandal, and Daikyo, a specialist in this type of block.

Daikyo, in announcing its full-year results showing a 23 per cent jump in profits to Y23.7bn before tax, significantly added its voice to analysts' fears that the condominium market might have peaked.

It said it was diversifying into hotel management in Japan and leisure resorts in Australia to prepare for an expected drop in condo demand within the next two to three years.

One recent survey showed that in Tokyo one third of completed condo units remained unsold, the highest ratio for two years.

Sales at Daikyo rose 22 per cent to Y413bn. The company argues that attention will focus increasingly on the location and design quality of developments, where it believes itself well placed. The company lifted its annual dividend to Y17.50 per share from Y15.

Mitsubishi Estate, the traditional property market leader and still the most profitable in the industry, produced an 18.3 per cent interim rise to Y36.6bn pre-tax, on sales up 2.6 per cent to Y120.3bn. It attributed this largely to increases in office rentals.

Sumitomo Realty & Development lifted first-half profits 45.4 per cent to Y14.2bn on a 28.5 per cent jump in sales to Y74.3bn. A batch of project completions assisted the outcome.

Fuji Heavy profits down 12.4%

By Gordon Cramb in Tokyo

FUJI HEAVY Industries (FHI), maker of Subaru cars, yesterday disclosed a 12.4 per cent setback in interim pre-tax profits and forecast that the full-year outcome would be down by more than a quarter.

The gloomy projection came as a surprise among industry watchers, who believe it to reflect protracted overstocking at Subaru of America, its 49 per cent owned US sales arm. Analysts had hoped that an accumulation of unsold vehicles there, which early this year stood at more than 2½ months' supply, would by now have been cut sharply.

Nissan, with which Fuji Heavy is affiliated, has successfully tackled its US overstocking and launched new models. The unveiling of an updated Subaru range is still awaited, however.

FHI said the strong yen continued to hamper its performance in the US, and a 5.2 per cent decline in car sales pulled parent company turnover down 2.1 per cent in the six months to September to Y306.4bn ($2.5bn) for all its businesses, which include aerospace.

Profits were Y5.77bn before tax but net earnings emerged *higher at Y6.18bn against* Y4.75bn – the company attributed this to a lower taxation charge. Exchange losses totalled Y14.3bn.

For the year to next March the forecast is for pre-tax profits of Y12bn. This compares with the Y16.29bn achieved in 1987-88 and the company's earlier expectation of a modest rise this year to Y16.5bn.

Sales are projected to increase marginally to Y670bn from Y686.2bn, representing a 3.7 per cent fall in unit terms to 600,000 vehicles. Net profits are thought likely to emerge barely changed at Y10.5bn compared with Y10.43bn last year.

Mr Michael Remington, automotive analyst with S.G. Warburg Securities in Tokyo, said results at the consolidated level might prove worst of all. "We knew the light was at the end of a long tunnel, but suddenly it's six months further away."

Barlow Rand moves up despite economy

By Jim Jones in Johannesburg

BARLOW RAND, the South African industrial and mining group, lifted its operating profit by almost half in the year to September 30 1988 and is confident of further growth this financial year, in spite of official moves to cool the economy.

Turnover increased to R21.2bn ($8.2bn) in the year to September from the previous year's R16.5bn, the trading profit before investment income and interest and tax payments rose to R2.02bn from R1.42bn and the pre-tax profit was R1.94bn against R1.35bn.

Mr Warren Clewlow, the chief executive, expects continued growth this year, saying South Africa's economy is far stronger than most people believe and the official figures indicate. He believes there is considerable interaction between the large but mainly unrecorded informal sector and the formal sector.

In support of his contention he cites Nampak, the group's packaging arm, which lifted volume sales by 10 per cent in the last financial year.

He adds that sales by cement subsidiary Pretoria Portland have been boosted by demand for small builders and that the group's food companies expect further real sales increases this year.

Although Mr Clewlow is reluctant to discuss sanctions in detail, he says they have not affected his group as badly as those in favour of sanctions might have expected. Last year, about one third of the group's attributable earnings were generated from exports and the investment in J. Bibby, the British company.

Sales of stainless steel and ferro-chrome by subsidiary Middelburg Steel are buoyant and the company is following an increase in its stainless steel capacity with an expansion of ferro-chrome capacity.

Consolidated earnings increased to 408 cents a share from 297 cents and the year's dividend has been lifted to 130 cents from 100 cents. Barlow Rand's principal shareholder is Old Mutual, South Africa's largest insurance company.

HK TV company split

By Michael Marray in Hong Kong

SHAREHOLDERS OF Hong Kong television company HK-TVB yesterday approved a restructuring under which the group will be split into two separately listed units, one operating the television network and the other running other businesses such as publishing, merchandising, travel services and entertainment.

The restructuring is being carried out in order to comply with new Government regulations which prohibit holders of broadcasting licences from participating in non broadcasting related businesses.

No capital is being raised in the exercise, under which one new TVB share is being allotted to shareholders for every HK-TVB share currently held.

HK-TVB resumes trading today after a short suspension, and the share price should fluctuate as the market re-evaluates the worth of the shares after the division of assets.

HK-TVB is a constituent of *the Hang Seng Index, but when* trading in the new TVB shares commences on November 23, HK-TVB will be withdrawn and replaced by TVB.

It was also announced yesterday that the current chairman of ATV, Mr Deacon Chiu, will step down as ATV chairman next May. Mr Chiu was charged last week with conspiracy to falsely account in relation to HK$120m ($15.3m) of loans made by the Far East Bank in 1984, at a time when it was controlled by his family.

Ohbayashi moves up 10.2%

By Stefan Wagstyl in Tokyo

OHBAYASHI, the Japanese construction group, yesterday reported a 10.2 per cent increase in interim pre-tax profit to Y12.7bn ($101m), due to active public works spending and strong private sector construction.

Sales in the six months to the end of September were 6.3 per cent higher at Y404bn.

A sharp increase in turnover in the group's construction business more than compensated for a decline in sales in civil engineering. The result included the completion of a US car plant for Toyota.

The company's order book at the end of September was 19.8 per cent up on last year's at Y1,290bn.

Ohbayashi forecasts a 17.5 per cent increase in profits to Y29bn for the year to March on sales of Y926bn, up 12.9 per cent.

Ohbayashi last year bought Bracken House, headquarters of the Financial Times in London, which it plans to redevelop.

Westpac plans to sell insurance businesses

WESTPAC, one of Australia's Big Four trading banks, is planning to offer for sale most of the group's general insurance businesses in the wake of a strategic review, Reuter reports from Sydney.

Businesses for sale are the broking and commercial agency activities of Westpac Insurance Services (Brokers), the mortgage insurance operations of AGF Insurances and all the operations of AGC (Insurances) except consumer credit insurance.

In future, the group is to concentrate on selling selected insurance products through its branch network.

INTERNATIONAL COMPANIES AND FINANCE

Aachener scales insurance league

Haig Simonian on the implications of a German insurer's latest deal

The details will not be available until Thursday, but the news that Aachener und Münchener, West Germany's fifth-biggest insurer, is buying a 25 per cent stake in Volksfürsorge confirms its role as one of Germany's most ambitious and acquisitive financial groups. Last year it purchased a DM1.9bn ($1bn) controlling interest in Bank für Gemeinschaft (BfG), a sizeable nationally-represented bank.

Together, A&M and La Fondiaria, the Italian insurance group, are acquiring just over 50 per cent of Volksfürsorge from the Beteiligungsgesellschaft für Gemeinwirtschaft (BGAG), the holding company for Germany's trade unions.

La Fondiaria has had a lengthy business relationship with A&M, but so far a relatively modest European presence outside its native Italy. In Germany, it owns 5 per cent of Mannheimer Versicherung, a small insurance group.

Under the terms of the new deal, A&M will take over responsibility for managing Volksfürsorge. In time, BGAG intends to reduce its holding to the same level as the two purchasers. No firm plans have yet been made for the rest of its stake, but among ideas being canvassed are a part flotation, or a sale to another foreign insurance group. It is also possible that BfG will take up to 6 per cent of the group, though it remains unclear whether this will be spun off from A&M's stake or bought later from BGAG.

The sale of Volksfürsorge marks the end of a long search by BGAG. Earlier plans to find a purchaser collapsed following disagreements with Germany's savings banks and later Deutsche Genossenschaftsbank, owner of the R&V insurance group.

Despite its strong position in the German insurance market, Volksfürsorge's main drawback is its relatively high wages and generous fringe benefits compared with other insurers, as well as the relatively high price BGAG is thought to have been asking in the past.

Volksfürsorge's workforce has strongly resisted any idea of a sale in view of the rationalisation and curb of benefits many expect would follow, turning the issue into a political embarrassment for BGAG.

However, opposition from the workforce to a transfer of ownership may no longer be such an obstacle. While some aspects of the company may be integrated with the A&M group, the purchasers appear willing to let the bulk of Volksfürsorge operate largely as a separate unit.

BGAG had been considering a number of options for the company, including a possible flotation. However, the collapse of previous sale talks and the unions' wish to divest themselves of many of their holdings may have put it under some pressure to sell.

Last year, BGAG took out a sizeable loan from Swiss Bank Corporation, using part of its Volksfürsorge shares as collateral. That loan is due to be repaid shortly. Although the bank has indicated willingness to extend it, BGAG may well have been keen to raise cash.

Aachener und Münchener has not yet commented on how the deal will be financed. Last year, the holding company, Aachener und Münchener Beteiligungs (AMB), launched a DM1.34bn rights issue to fund its stake in BfG. However, the group has since sold off its minority stake Nordstern and is now thought to have substantial cash available.

Mr Helmut Gies, A&M's expansion-minded chief executive, had been interested in acquiring Volksfürsorge before turning his attention to BfG. Among its attractions are its role as insurer to German trade unions and its faithful clientele among ordinary trade unionists. The company also continues to have close business links with BfG.

For Mr Gies, taking over Volksfürsorge is a major step towards achieving his ambition of creating a leading German financial services group. After a lengthy period of uncertainty and much criticism about the high purchase price, BfG's fortunes have improved and the deal is widely seen as a forerunner of much broader discussion taking place in Germany regarding closer links between banks and insurance companies.

However, Mr Gies still has some way to go before realising what is probably his most cherished ambition of competing on a par with Allianz, by far Germany's biggest insurer, with premiums of DM26bn last year. Even combining Volksfürsorge's DM4.4bn premium income in 1987 with A&M's DM4.85bn leaves him a long way behind.

● Riunione Adriatica di Sicurta (RAS) of Italy said it and West Germany's Allianz would take a significant stake in Banco Popular Espanol as part of a plan to start a life insurance firm and a pension fund management company in Spain, Reuter reports from Milan.

RAS said the German and Italian insurance groups would be represented on the Spanish bank's board, but it did not disclose the size of their stakes.

Fiat chief agrees to bank equity restrictions

By Alan Friedman in Milan

MR CESARE ROMITI, managing director of Italy's Fiat group, yesterday gave public assurances that he would "obey the laws and even the desires of the Bank of Italy" concerning the limits imposed by the central bank on the size of equity holdings industrial companies may own in Italian banks.

Mr Romiti's pledge, although accompanied by implicit criticism of the policy of Governor Carlo Azeglio Ciampi's Bank of Italy which restricts industrial companies from buying more than 15 per cent of banks, comes in the wake of several weeks of public debate and controversy over the issue.

The Fiat group, along with other leading industrial concerns in Italy, wants to buy into banks, but the central bank governor has said he fears "a conflict of interest under which the industrial companies might exploit the funds of banks if they are allowed to take control of these financial institutions."

Mr Romiti has repeatedly said it is Gemina, an investment vehicle 29.97 per cent owned by Fiat, that wants to buy into banks and has attempted to portray Gemina as independent of Fiat.

Mr Romiti was speaking yesterday not as chief executive of Fiat but as chairman of Gemina. He said Gemina would be interested in expanding in the banking sector as soon as shareholding limits were lifted.

Mr Romiti also used his platform at yesterday's annual Gemina shareholders' meeting to note that, given legislative uncertainty, the Rizzoli publishing group, majority owned by Gemina, had postponed until December 31 its option to take 50 per cent control of Telemontecarlo, a private television network.

He described legislative proposals to restrict newspaper proprietors from owning television stations as "silly."

Mr Romiti also announced yesterday that Gemina would acquire Fila, a sportswear manufacturer.

Torras in European expansion talks

By Andrew Baxter

TORRAS HOSTENCH, the Spanish industrial holding company in which the Kuwait Investment Office has a 40 per cent stake, is in talks with paper companies in France and Portugal as part of its plans to create one of Europe's biggest fully-integrated paper companies.

Mr Javier de La Rosa, a vice-chairman and one of Spain's wealthiest executives, would not name the Portuguese company, but it is known that Torras has been in negotiations with Aussedat Rey, a French paper maker, over a possible joint venture. Last month Torras made its first acquisition outside Spain by taking a controlling stake in Cellulose des Ardennes, a Belgian pulp producer.

Mr de la Rosa was in London in connection with Torras's forthcoming international equity issue, which is expected to raise Pta45bn ($392m). He said the basic aim of the company was to be Spain's first multinational, drawing on the country's "remarkable industrial muscle" ahead of 1992.

A series of manoeuvres over the past year has turned once-bankrupt Torras into a holding company with interests in paper, food, chemicals and financial services.

On the paper side Torras was looking to combine the benefits of low raw material costs through the domestic supply of fast-growing eucalyptus trees with new distribution agreements outside Spain.

The aim was to be competitive with other European paper companies, and Mr de La Rosa said the company wanted to make acquisitions at less than its own price/earnings multiple of 10-11. "We are not looking for glory, but for profits," he said.

Similarly, on the food side, Torras's 55 per cent stake in Ebro will be the starting point for the development of a food conglomerate that can benefit from Spain's lower labour and raw material costs. Ebro is raising $250m next month in a rights issue, in which Torras intends to take up its allocation.

In chemicals, Torras is merging ERT and Cros, two big Spanish companies of which it has acquired control, to form Ercros. Mr de la Rosa said Ercros could provide a "perfect basis" for a joint venture in the Spanish market with a European or US partner.

● Italian businessman Carlo De Benedetti will create a new holding company with Portuguese cork firm Amorim, Reuter reports.

Amorim's finance director Jorge Armindo said de Benedetti and Americo Amorim, chairman of the cork group, would sign an agreement tomorrow creating Cofir-Portugal, to invest in unspecified industrial projects.

De Benedetti's Spanish company Cofir would have 55 per cent of the initial share capital.

Aker sells Zanda stakes

By Karen Fossli in Oslo

AKER, one of Norway's largest industrial groups, said yesterday it had agreed to sell for NKr95m ($14.4m) its 55 per cent stake in Zanda A/S and its 50 per cent stake in Zanda A/B, the roofing tile producer, to Sweden's Euroc group.

The sale is part of Aker's strategy to reduce by NKr3bn its NKr8.5bn debt. Aker said its holdings in both Zanda companies had a combined book value of NKr43m.

The change in ownership will not affect the businesses of either company.

● Hafslund Nycomed, the Norwegian pharmaceutical and industrial products group, said it had sold its 44.5 per cent stake, worth about NKr169m ($26m), in Unitor, a maritime equipment company, to an undisclosed buyer.

Hafslund said Unitor's interests fell outside its strategic business areas. The deal would give it NKr70m in extraordinary earnings.

Ciba-Geigy to take 8% of US company

By Peter Marsh

CIBA-GEIGY, the Swiss chemicals company, plans to gain a deeper foothold in biotechnology-based pharmaceuticals by taking a stake in Chiron, a San Francisco-based biotechnology company.

Under a deal announced yesterday, Ciba-Geigy is to invest $20m in Chiron. That is expected to give the Swiss company a stake of about 8 per cent in the San Francisco-based concern.

Ciba-Geigy said it hoped the investment would help it in its own work in biotechnology, the name given to a set of techniques based on manipulating genetic fragments of proteins that may help in the development of new drugs.

The two companies already have a 50:50 joint venture called Biocine, which is working on biotechnology-derived vaccines to treat diseases such as AIDS, herpes, malaria and hepatitis.

INTERNATIONAL COMPANIES AND FINANCE

Dowty decides to sell coal mining equipment offshoot

By Clare Pearson in London

DOWTY GROUP, the UK engineering group, yesterday ended long-running speculation about its intentions towards its mining equipment division by announcing it was negotiating to sell the business, one of the biggest suppliers to the world's long wall coal mining industry.

Dowty, which also disclosed it is in talks to sell two small hydraulics businesses, said discussions which could lead to the sale of the mining division were taking place with a number of parties, including its management. Negotiations were at an early stage.

In a weakening London stock market, Dowty's shares closed 2p lower at 226p.

A sale had looked increasingly likely over the past two years. World demand for coal mining equipment is slack and Dowty has been concentrating on developing its defence, electronics and information technology sides.

Dowty supplies roof supports and conveyors for long wall mining – the dominant type of production in the UK, which involves a machine like a huge bacon slicer ripping the fuel from a long wall of coal.

But analysts said there were few obvious third party candidates to buy the business. They suggested a management buy-out was the most likely outcome. A spokesman for Dowty said: "In many ways, this would be the nicest outcome, but we are looking at a number of options."

He said the combined net assets of the mining division and the two much smaller hydraulics concerns were between £50m and £60m. Analysts suggested a price tag of between £80m and £90m might be in view.

The mining division made operating profits of £10.7m, against a group total of £71.8m in the year to end-March. Its turnover was £144m out of a group total of £624.8m.

The hydraulics companies, with a combined turnover of between £15m and £20m, are believed to have been just in profit in the last financial year.

After the sale of the hydraulics division, Dowty's industrial division will comprise, aside from the dominant polymer engineering side, its marine hydrojet power units business and Norson, a joint venture that makes systems for the offshore industry.

Dowty's aerospace division recently won a £300m contract to supply landing-gear equipment for Airbus Industrie, the European airline consortium. In July, it expanded its information technology interests with the £80m agreed takeover of CASE, the computer networking group facing a hostile offer from Gandalf Technologies of Canada.

Unilever profits up 14% to £410m

By Christopher Parkes, Consumer Industries Editor, in London

UNILEVER, the Anglo-Dutch consumer goods and food group, yesterday produced a 14 per cent increase in third-quarter pre-tax profits of £410m ($738m). In line with most London forecasts, the group managed a 7 per cent rise in sales to £4.49bn.

The result brought pre-tax profits for the nine months to September 30 to £1.13bn, up 11 per cent, on sales which rose 5 per cent to £13bn.

Margins improved again, thanks to the continuing lull in US marketing wars and increased manufacturing efficiency. In North America they were up a full percentage point at 10.1 per cent and rose from 8.6 to 9.3 per cent in Europe. Margins in the rest of the world were flat at 10.2 per cent.

The only detectable blip, which upset some more ambitious City of London forecasts and is expected to prompt some reductions in full-year performance predictions, was an increase in interest costs because of higher financing charges in Latin America.

Profit attributable for the three months rose 14 per cent at constant rates of exchange.

Operating profit for the quarter under review was 15 per cent higher at £432m, and 10 per cent better for the nine months.

Improved margins were an important factor in a 15 per cent rise in European operating profits, the company said, with edible fats and detergents making a significant contribution. Ice cream sales, which featured strongly in the second quarter's results, are also believed to have advanced again.

In North America, where operating profits were helped to a 20 per cent increase by advances in speciality chemicals, the group is planning several new product launches in personal products and the Lipton foods business.

Arch-rival Procter & Gamble has introduced several US price increases, and Unilever can be expected to benefit when it follows suit.

The marketing wars truce is still holding in North America, although Lever's Snuggle fabric conditioner has been under pressure from new variants on P&G's Downy and Bounce products. It responded last week with the launch of a citrus-scented Snuggle with a $15m promotion.

Earnings per share for the quarter were 12 per cent higher at 11.9p, bringing the tally for the first nine months to 33.06p against 30.58p last year. The company announced an interim dividend of 3.89p compared with 3.54p last time.

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Nixdorf forecasts steady profits on higher turnover

NIXDORF, the West German computer group, has forecast at least steady profits in 1988 and a turnover increase of 11 per cent to DM5.6bn ($3.2bn), AP-DJ reports from Frankfurt.

The group also plans to decentralise its marketing operations to allow for a more global approach and to speed product innovation.

Mr Klaus Luft, chairman, said he was still "unsatisfied" with current profit levels that have been mainly due to costs expanding faster than sales. But he said the marketing reorganisation should help earnings by optimising revenues while saving on costs.

The group's steady profit would be sufficient to hold the dividend unchanged at the 1987 level of DM10. In 1987, Nixdorf had net profit of DM264m on sales of DM5.1bn, Mr Luft said.

Profits in the US have been growing at a 30 per cent pace this year as turnover is expected to gain more than 10 per cent to about DM300m.

Nixdorf also announced it was dividing up its marketing operation into four divisions, each with worldwide responsibility for the types of customers it serves: banks, retailers, medium-sized businesses and institutions. The reorganisation takes effect from January.

The managers of the four divisions will report directly to Mr Arno Bohn, vice-chairman, and will be responsible for each type of customer worldwide. Nixdorf also said it was appointing management board member Albert Holler to direct the strategically important US business.

Mr Luft maintained that the restructuring would increase Nixdorf's presence in key areas worldwide, provide customer services more efficiently, accelerate product innovation, boost quality, improve cost structures and increase profitability.

Analysts note that Nixdorf's plan fits into a trend among West German companies that have decentralised their often bulky marketing departments in order to cut away administrative buffers between product developers and the customers.

Guinness refused chance to appeal takeover ruling

By Raymond Hughes and David Waller in London

GUINNESS, the UK-based brewing and spirits group, has been refused the chance to make a final appeal to the Law Lords against a decision by the City of London Takeover Panel that the company broke the takeover code by its involvement in a concert party purchase of Distillers shares.

Guinness, which faces the prospect of having to pay an estimated £100m ($180m) to former Distillers shareholders as a result of the panel's decision, said yesterday that it would now appeal through the panel's own appeal procedures.

After unsuccessfully challenging the decision in the High Court and Court of Appeal, Guinness petitioned for leave to appeal to the House of Lords. The Law Lords' appeals committee has rejected the petition after examining the papers in the case, without giving any reasons, and refused the company an oral hearing.

The case concerned the purchase of £76m of Distillers shares by Pipetec, a Swiss company, in April 1986, as the £2.7bn battle for Distillers between Guinness and Argyll Group reached its climax.

The panel decided that Guinness had acted in concert with Pipetec in the purchase in breach of the UK takeover code.

Guinness contended in the courts that the panel acted unfairly and unlawfully in the way it reached its decision. The company complained that the decision had been reached on inadequate evidence, and that the panel had refused to adjourn its hearing until Department of Trade and Industry inspectors investigating the Guinness affair had reported, or to give Guinness more time to prepare its defence.

Although the panel's decisions are not legally enforceable, it can apply sanctions against companies defying its rulings by denying them "the facilities of the City", in particular corporate finance advice and possibly even a listing on the stock exchange.

Guinness refused to comment yesterday on the detail of its appeal.

Guinness sells California vineyards, Page 35

Ares-Serono increases net income to $34.9m

By William Dullforce in Geneva

ARES-SERONO, the Swiss-based pharmaceuticals group, yesterday reported a 42 per cent increase in net income to $34.9m for the first nine months of 1988. Sales climbed 28.3 per cent to $301m.

Of Italian origin, Ares-Serono has its executive headquarters in Geneva, its operating headquarters in Boston, US, and effects more than 70 per cent of its sales in Europe.

In the third quarter net earnings rose 34 per cent to $12.2m compared with the corresponding period of 1987.

Sales, up 15.5 per cent to $98.3m, were affected by a new Italian regulation that makes patients covered by the national social security system pay 20 per cent of the price of ethical drugs, the group said.

Among the developments recorded by Ares-Serono in the third quarter are the acquisition of Baker Instruments of Allentown, US, and the creation of the world's largest infertility treatment facility at Bourn Hall, UK.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday November 14,1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54 8797	31 4580	44.4568
Albania	(Lek)	10.0532	5 5588	3.1864	4.5031
Algeria	(Dinar)	11.5727	6.3990	3.6680	5.1837
Andorra	(Fr Fr)	10.7775	5 9593	3 4160	4 8275
	(Sp Peseta)	208.05	115.0400	65.9429	93.1914
Angola	(Kwanza)	53.5855	29.6298	16.9843	24.0024
Antigua	(E Carr $)	4.87	2 6928	1 5435	2.1814
Argentina	(Austral)	22.7573	12.5835	7.2130	10.1936
Aruba	(Florin)	3.2292	1.7855	1.0235	1.4464
Australia	(Aus $)	2.1255	1.1752	0.6736	0.9520
Austria	(Schilling)	22.185	12.2670	7.0316	9.9372
Azores	(Port Escudo)	261.65	144.6779	82.9318	117.2004
Bahamas	(Bahama $)	1.8085	1	0.5732	0.8100
Bahrain	(Dinar)	0.6810	0.3765	0.2158	0 3050
Balearic Is	(Sp Peseta)	208.05	115.0400	65.9429	93.1914
Bangladesh	(Taka)	56 20	31.0754	17.8129	25.1735
Barbados	(Barb $)	3 6284	2.0063	1.1500	1.6252
Belgium	(Belg Fr)	66.10c	36.5496	20.9508	29.6080
		66.75g	36 9090	21.1568	29.8992
Belize	(B $)	3 6080	1.9950	1.1435	1.6161
Benin	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Bermuda	(Bermudian $)	1.8085	1	0.5732	0.8100
Bhutan	(Ngultrum)	26 80	14.8189	8.4944	12.0044
Bolivia	(Boliviano)	4.6363	2.5636	1.4695	2.0767
Botswana	(Pula)	3.4875	1.9283	1.1053	1.5621
Brazil	(Cruzado)	924 825	511.3768	293 1299	414.2553
British Virgin Is	(US $)	1.8085	1	0.5732	0.8100
Brunei	(Brunei $)	3.5245	1.9488	1.1171	1.5787
Bulgaria	(Lev)	1 4669	0.8111	0 4649	0.6570
Burkino Faso	(CFA Fr)	538 88	297 9706	170 8019	241.3796
Burma	(Kyat)	11.2754	6.2346	3.5738	5.0505
Burundi	(Burundi Fr)	266 0939	147.1351	84 3403	119.1909
Cameroon	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Canada	(Canadian $)	2.2235	1.2294	0.7047	0.9959
Canary Is	(Sp Peseta)	208.05	115 0400	65.9429	93.1914
Cp Verde Is	(CV Escudo)	111.6379	72.7884	41.7235	58.9643
Cayman Is	(CI $)	1.4973	0 8279	0.4745	0.6706
Cent.Afr. Rep	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Chad	(CFA Fr)	538.88	297.9706	170 8019	241.3796
Chile	(Chilean Peso)	448.53	248.0121	142.1648	200.9092
China	(Renminbi Yuan)	6.7389	3.7262	2 1359	3.0185
Colombia	(Col Peso)	589 80	326.1266	186.9411	264.1881
Comoro Is	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Congo (Brazz)	(CFA Fr)	538 88	297.9706	170 8019	241.3796
Costa Rica	(Colon)	142 2454	78.6538	45 0857	63 7157
Cuba	(Cuban Peso)	1.3739	0.7596	0.4354	0.6154
Cyprus	(Cyprus £)	0.8350	0.4617	0.2646	0.3740
Czechoslovakia	(Koruna)	9.50c	5.2529	3 0110	4 2553
		16.541	9.1457	5.2424	7.4087
		15.931	8.8084	5.0491	7.1354
Denmark	(Danish Kroner)	12.1900	6.7403	3 8637	5 4602
Djibouti Rep	(Djib Fr)	319.00	176.3892	101.1093	142.8891
Dominica	(E Carrib $)	4.87	2.6928	1.5435	2.1814
Dominican Rep	(D Peso)	11.4554	6.3341	3 6308	5.1111
Ecuador	(Sucre)	712.13o	393.7683	225.7147	318.9832
		842.47a	465 8390	267 0269	377.3661
Egypt	(Egyptian £)	4 1850	2.3140	1.3264	1.8745
El Salvador	(Colon)	9.0200	4.9875	2.8589	4.0403
Equat'l Guinea	(CFA Fr)	538 88	297 9706	170.8019	241.3796
Ethiopia	(Ethiopian Birr)	3.7052	2.0487	1.1743	1.6596
Falkland Is	(Falk £)	1.00	0.5529	0.3169	0 4479
Faroe Is	(Danish Kroner)	12 1900	6.7403	3.8637	5.4602
Fiji Is	(Fiji $)	2.5211	1.3941	0.7991	1.1293
Finland	(Markka)	7.4730	4 1321	2.3686	3.3473
France	(Fr)	10.7775	5.9593	3 4160	4.8275
Fr Cty/Africa	(CFA Fr)	538 88	297 9706	170 8019	241.3796
Fr Guiana	(Local Fr)	10.7775	5.9593	3.4160	4.8275
Fr. Pacific Is	(CFP Fr)	194.00	107.2712	61.4896	86.8980
Gabon	(CFA Fr)	538.88	297 9706	170.8019	241.3796
Gambia	(Dalasi)	12.2057	6.7490	3.8686	5 4672
Germany East	(Ostmark)	3 1550	1.7445	1	1.4132
Germany West	(DMark)	3 1550	1.7445	1	1.4132
Ghana	(Cedi)	415.84	229.9364	131.8034	186.2665
Gibraltar	(Gib £)	1 00	0.5529	0.3169	0 4479
Greece	(Drachma)	260 00	143.7655	82.4088	116 4613
Greenland	(Danish Krone)	12.1900	6.7403	3.8637	5.4602
Grenada	(E Carr $)	4.87	2.6928	1.5435	2.1814
Guadaloupe	(Local Fr)	10.7775	5.9593	3.4160	4.8275
Guam	(US $)	1.8085	1	0.5732	0.8100
Guatemala	(Quetzal)	1.8085	1	0.5732	0.8100
		4.9610	2.7431	1.5724	2.2221
Guinea	(Fr)	541.200	299.2535	171.5372	242.4188
Guinea-Bissau	(Peso)	1172.600	648.3826	371.6640	525.2407
Guyana	(Guyanese $)	16.2300	8.9742	5.1442	7.2698
Haiti	(Goude)	9.0200	4.9875	2.8589	4.0403
Honduras	(Lempira)	3.6080	1.9950	1.1435	1.6161
Hong Kong	(HK $)	14.0750	7.7826	4.4611	6.3045
Hungary	(Forint)	93.8153	51.8746	29.7354	42.0225
Iceland	(Icelandic Krona)	82.62	45.6842	26.1870	37.0078
India	(Indian Rupee)	26.80	14.8189	8.4944	12.0044
Indonesia	(Rupiah)	3124.435	1727.6389	990.3122	1399.5229
Iran	(Rial)	122.75	67.8739	38.9064	54.9832
Iraq	(Iraqi Dinar)	0.5586	0.3088	0.1770	0.2502
Irish Rep	(Punt)	1.1815	0.6533	0.3744	0.5292
Israel	(Shekel)	2.8840	1.5946	0.9141	1.2918
Italy	(Lira)	2349.00	1298.8664	744.5324	1052.1836
Ivory Coast	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Jamaica	(Jamaican $)	9.7325	5.3815	3.0847	4.3594
Japan	(Yen)	223.25	123.4448	70.7606	100
Jordan	(Jordanian Dinar)	0.8315	0.4597	0.2635	0.3724
Kampuchea	(Riel)	180.85	100	57.3217	81.0078
Kenya	(Kenya Shilling)	32.40	17.9153	10.2694	14.5128
Kiribati	(Australian $)	2.1255	1.1752	0.6736	0.9520
Korea North	(Won)	1.7499	0.9675	0.5546	0.7838
Korea South	(Won)	1258.68	695.9800	398.9477	563.7984
Kuwait	(Kuwaiti Dinar)	0.50505	0.2792	0.1600	0.2262
Laos	(New Kip)	775.7200	428.9300	245.8700	347.4669
Lebanon	(Lebanese £)	991.38	548.1780	314.2250	444.0671
Lesotho	(Maluti)	4.3468	2.4035	1.3777	1.9470
Liberia	(Liberian $)	1.8085	1	0.5732	0.8100
Libya	(Libyan Dinar)	0.5091	0.2815	0.1613	0.2280
Liechenstein	(Swiss Fr)	2.6475	1.4639	0.8391	1.1858
Luxembourg	(Lux Fr)	66.10	36.5496	20.9508	29.6080
Macao	(Pataca)	14.5121	8.0243	4.5997	6.5003
Madeira	(Port Escudo)	261.65	144.6779	82.9318	117.2004
Malagasy Rep	(MG Fr)	2123.50	1174.1774	673.0586	951.1758
Malawi	(Kwacha)	4.5990	2.5429	1.4576	2.0600
Malaysia	(Ringgit)	4.8575	2.6859	1.5396	2.1758
Maldive Is	(Rufiya)	15.8752	8.7781	5.0317	7.1109
Mali Rep	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Malta	(Maltese £)	0.5900	0.3262	0.1870	0.2642
Martinique	(Local Fr)	10.7775	5.9593	3.4160	4.8275
Mauritania	(Ouguiya)	142.4438	78.7635	45.1485	63.8046
Mauritius	(Maur Rupee)	24.10	13.3259	7.6386	10.7950
Mexico	(Mexican Peso)	4127.35a	2282.1951	1308.1933	1848.7569
		4071.63d	2251.3851	1290.5324	1823.7984
Miquelon	(Local Fr)	10.7775	5.9593	3.4160	4.8275
Monaco	(French Fr)	10.7775	5.9593	3.4160	4.8275
Mongolia	(Tugrik)	6.0533	3.3471	1.9186	2.7114
Montserrat	(E Carr $)	4.87	2.6928	1.5435	2.1814
Morocco	(Dirham)	14.63	8.0895	4.6370	6.5531
Mozambique	(Metical)	1129.6648	624.6418	358.0554	506.0088
Namibia	(S A Rand)	4.3468	2.4035	1.3777	1.9470
Nauru Is	(Australian $)	2.1255	1.1752	0.6736	0.9520
Nepal	(Nepalese Rupee)	43.2960	23.9402	13.7229	19.3935
Netherlands	(Guilder)	3.5575	1.9670	1.1275	1.5935
N'nd Antilles	(A/Guilder)	3.2292	1.7855	1.0235	1.4464
New Zealand	(NZ $)	2.8150	1.5565	0.8922	1.2609
Nicaragua	(Cordoba)	577.28	319.2037	182.9730	258.5800
Niger Rep	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Nigeria	(Naira)	8.5762	4.7421	2.7182	3.8415
Norway	(Nor. Krone)	11.9625	6.6145	3.7916	5.3583
Oman	(Rial Omani)	0.6955	0.3845	0.2204	0.3115
Pakistan	(Pak. Rupee)	33.20	18.3577	10.5229	14.8712
Panama	(Balboa)	1.8085	1	0.5732	0.8100
Papua New Guinea	(Kina)	1.4897	0.8237	0.4721	0.6672
Paraguay	(Guarani)	577.28o	319.2037	182.9730	258.5800
		1831.06a	1012.4744	580.3676	820.1836
Peru	(Inti)	59.53o	32.9167	18.8684	26.6651
		898.68a	496.9200	284.8431	402.5442
Philippines	(Peso)	36.90	20.4036	11.6957	16.5285
Pitcairn Is	(£ Sterling)	1.00	0.5529	0.3169	0.4479
	(NZ $)	2.8150	1.5565	0.8922	1.2609
Poland	(Zloty)	860.00	475.5322	272.5832	385.2183
Portugal	(Escudo)	261.65	144.6779	82.9318	117.2004
Puerto Rico	(US $)	1.8085	1	0.5732	0.8100
Qatar	(Riyal)	6.5775	3.6369	2.0847	2.9462
Reunion Is. de la	(F/Fr)	10.7775	5.9593	3.4160	4.8275
Romania	(Leu)	14.781	8.1725	4.6846	6.6203
Rwanda	(Fr)	134.7832	74.5276	42.7205	60.3732
St Christopher	(E Carr $)	4.87	2.6928	1.5435	2.1814
St Helena	(£)	1.00	0.5529	0.3169	0.4479
St Lucia	(E Carr $)	4.87	2.6928	1.5435	2.1814
St Pierre	(French Fr)	10.7775	5.9593	3.4160	4.8275
St Vincent	(E Carr $)	4.87	2.6928	1.5435	2.1814
San Marino	(Italian Lira)	2349.00	1298.8664	744.5324	1052.1836
Sao Tome	(Dobra)	132.5846	73.3119	42.0236	59.3883
Saudi Arabia	(Riyal)	6.7640	3.7401	2.1438	3.0297
Senegal	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Seychelles	(Rupee)	9.4800	5.2419	3.0047	4.2463
Sierra Leone	(Leone)	59.30	32.7896	18.7955	26.5621
Singapore	($)	3.5245	1.9488	1.1171	1.5787
Solomon Is	($)	3.7389	2.0674	1.1850	1.6747
Somali Rep	(Shilling)	440.1760	243.3928	139.5169	197.1673
South Africa	(Rand)	4.3468c	2.4035	1.3777	1.9470
		6.7005g	3.7050	2.1237	3.0013
Spain	(Peseta)	208.05	115.0400	65.9429	93.1914
Spanish Ports in N Africa	(Sp Peseta)	208.05	115.0400	63.9429	93.1914
Sri Lanka	(Rupee)	58.90	32.5684	18.6687	26.3829
Sudan Rep	(£)	8.1180	4.4888	2.5730	3.6362
Surinam	(Guilder)	3.2201	1.7805	1.0206	1.4423
Swaziland	(Lilangeni)	4.3468	2.4035	1.3777	1.9470
Sweden	(Krona)	11.0000	6.0823	3.4865	4.9272
Switzerland	(Fr)	2.6475	1.4639	0.8391	1.1858
Syria	(£)	37.8840	20.9477	12.0076	16.9693
Taiwan	($)	50.975	28.1863	16.1568	22.8331
Tanzania	(Shilling)	216.00	119.4359	68.4627	96.7525
Thailand	(Baht)	44.70	24 7166	14.1679	20.0223
Togo Rep	(CFA Fr)	538.88	297.9706	170.8019	241.3796
Tonga Is	(Pa Anga)	2.1255	1.1752	0.6736	0.9520
Trinidad/Tobago	($)	7.6670	4.2394	2.4301	3.4342
Tunisia	(Dinar)	1.5844	0.8760	0.5021	0.7096
Turkey	(Lira)	3064.39	1694.4373	971.2805	1372.6270
Turks & Caicos	(US $)	1.8085	1	0.5732	0.8100
Tuvalu	(Australian $)	2.1255	1.1752	0.6736	0.9520
Uganda	(New Shilling)	269.8656	149.2206	85.5358	120.8804
U A E	(Dirham)	6.6243	3.6628	2.0996	2.9672
United Kingdom	(£)	1.00	0.5529	0.3169	0.4479
United States	(US $)	1.8085	1	0.5732	0.8100
Uruguay	(Peso)	758.58	419.4525	240.4374	339.7894
USSR	(Rouble)	1.0812	0.5978	0.3426	0.4843
Vanuatu	(Vatu)	182.50	100.9123	57.8446	81.7469
Vatican	(Lira)	2349.00	1298 8664	744.5324	1052.1836
Venezuela	(Bolivar)	26.1580e	14.4639	8.2909	11.7169
		13.5300o	7.4813	4.2884	6.0604
		65.5754l	36.2595	20.7845	29.3730
Vietnam	(Dong)	663.872	367.0843	210.4190	297.3670
Virgin Is-British	(US $)	1.8085	1	0.5732	0.8100
Virgin Is-US	(US $)	1.8085	1	0.5732	0.8100
Western Samoa	(Tala)	3.7800	2.0901	1.1980	1.6931
Yemen	(Rial)	18.52	10.2405	5.8700	8.2956
Yemen PDR	(Dinar)	0.6188	0.3421	0.1961	0.2771
Yugoslavia	(Dinar)	7327.41	4051.6505	2322.9754	3282.1545
Zaire Rep	(Zaire)	403.33	223.0190	127.8383	180.6629
Zambia	(Kwacha)	17.25	9.5382	5.4675	7.7267
Zimbabwe	($)	3.4400	1.9021	1.0903	1.5408

Abbreviations: (a) Free rate; (b) Banknota rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday November 14,1988

INTERNATIONAL CAPITAL MARKETS

Hambros to expand trade in Australian securities

By Chris Sherwell in Sydney

HAMBROS BANK, the UK merchant bank prominent in the Euro-Australian dollar bond market, has made a strategic decision to enter Australia's domestic fixed interest securities market.

The move represents an important extension of its existing business in the offshore Australian market to the domestic base which underlies it. In the process it adds a significant new player to the local capital market.

Hambros says it will concentrate on the country's fledgling A$4bn corporate bond market and the A$40bn semi-government bond market, and not become involved in the A$35bn market for federal government debt, where margins are narrow and capital requirements would be heavier.

Mr Adrian Bell, an executive director of Hambros, said yesterday: "We see two completely disconnected fixed rate Australian dollar markets, and nobody is arbitraging between them. Borrowers don't see them as alternatives. Investors don't either."

In between, he said, financial institutions tended to be expert in one or the other, rarely operating between the two. "The yield differentials are quite staggering on occasions," he declared. "And we will be capable of showing investors and borrowers both sides of the equation."

Over the past six to 12 months, according to Mr Bell, interest in domestic Australian dollar securities has widened, with up to one-third of outstanding semi-government paper now in overseas hands.

"The Australian currency and high coupon over the past three years has driven itself into the brains of the international investor, so that now they regularly keep a small portion of their portfolio in Australian dollar securities."

The new operation is designed to tap this interest, and the semis will be the initial focus of interest. The flood of issues on the newly-emerging corporate bond market has further encouraged the move, and Hambros expects its arrival to help liquidity in a market which has temporarily over-reached itself.

The bank even sees advantage for its existing business, because the move is a necessary step to extend its considerable distribution network to Australia. The expansion will take effect in January. It will involve the employment of between 12 and 15 people, the bulk of them in Sydney.

The main competition will come from institutions like Dominguez Barry Samuel Montagu, Bain & Co, First Boston and Chase AMP.

Nippon Credit in venture with ex-Hutton traders

NIPPON CREDIT Bank, Japan's third biggest long term credit bank, is setting up a joint venture with eight former E.F. Hutton executives to form a securities company in the US, Reuter reports.

The venture, which will trade in Treasuries, municipal bonds and agency debt, will begin with $50m of capital, 85 per cent of which will be put up the bank. The eight American individuals will supply the remaining 15 per cent.

The eight have operated an investment advisory service since Shearson Lehman Brothers bought E.F. Hutton last year, "The link allows us to learn about the US securities business from highly skilled investment bankers," the Nippon Credit said.

In addition to fixed income trading and market-making, the firm will provide investment advisory services to US and Japanese clients. Mr Mark Kessenich will be chief executive and Mr Akihiko Takeuchi, deputy president of Nippon Credit, will be chairman.

The venture expects to get off the ground by next March.

● Shearson Lehman Hutton has reorganized its newly-acquired Bahrain office to emphasize private banking and Kuwaiti and Gulf clients, management said in a move from retail brokerage.

Shearson may add executives eventually to manage money and handle private banking. The Bahrain office was opened by Hutton in 1980.

Kuwait SE to list foreign companies

THE KUWAIT Stock Exchange plans shortly to list foreign companies as part of plans to revitalise trading. According to Reuters, two international companies have applied for a listing and have met the exchange's requirements.

Mr Hisham al-Oteibi, the exchange's general manager, declined to identify the companies but officials said one was the London-based United Bank of Kuwait.

Registration on the exchange, which lists 52 Kuwait and Gulf companies, has been limited to those registered in Kuwait and other Gulf states. It will now accept any company meeting existing financial conditions quoted on a leading world exchange.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94½	0	-0⅛	9.61
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse First Boston; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; First Chicago; Goldman Sachs International; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

OECD cool on two-way securities pacts

By Norma Cohen

THE ORGANIZATION for Economic Co-operation and Development criticized progress on international securities regulation, saying that the bilateral approach most frequently used is likely to be ineffective.

"Bilateralism clearly has its limitations since actions taken by governments which are not parties to an agreement may counteract the intent of a bilateral arrangement. A proliferation of bilateral arrangements each with its specific characteristics could soon become incomprehensible," the OECD says.

In fact, the OECD says, since the stock market crash last year, little if any progress has been made on global coordination of securities regulation needed to prevent destabilization of the world's financial system.

The OECD report runs counter to the approach of the UK, which has been been pursuing bilateral agreemants between its chief securities watchdog, the Securities and Investments Board (SIB) and foreign regulators. So far, agreements have been signed with regulators in at least seven countries, including the US, Switzerland and West Germany.

While the UK has called for better coordination of securities regulation world-wide, it has opted for the bilateral agreements in the absence of a broader agreement within the European Community. The SIB has chosen to concentrate on finding a way to regulate foreign firms operating in London within the context of the Financial Services Act.

Securities regulators have secured the most co-operation from each other in the arena of market manipulation, where law enforcement authorities have agreed to exchange information.

But capital market developments in several areas raise more complex regulatory issues that cannot ba effectively addressed through bilateral agreements, the OECD report says.

For instance, with the spread of increased cross-listing – the listing of equities on several international axcbanges – invastors are increasingly exposed to risks in each others' countries. A foreign concern operating in another country may offer investors the chance to buy shares of a company located in a third country, thus weakening the effectiveness of home country regulation.

Also, the growth of world-wide screen-based trading of international securities raises complex questions for regulators. "The question for regulators might be whether such systems do not already constitute over-the-counter markets in securities that ought to be supervised for investor protection purposes."

Separately, the OECD says the most important trend to emerge in world capital markets since the stock market crasb last year is the strengthening of the role of the syndicated loan market as a major source of international finance. This sector bas bean rising steadily for almost two years and has doubled so that total volume now accounts for about a quarter of all gross international borrowing flows.

The OECD also noted that the recovery in new bond issnes bas continued apace since the stock market crash in October 1987. Borrowing on external bond markets totalled $172bn, about 15 per cent above the corresponding figure for 1987.

This development is remarkable given the poor state of the market a year ago and wideapread pessimism about the market's capacity to deal with structural weaknesses

However, efforts have been made to offer more realistic pricing of issues and a response to demands for increased liquidity in the form of larger issue size. However, the OECD cautions that the most crucial indication of bond market strength will be in its performance in a stiuation of rising long term interest rates.

Strong start for CBOE index contract

By Daborah Hargreaves in Chicago

SOME 400 traders packed the new pit at the Chicago Board Options Exchange amid a great deal of razzmatazz last Friday for the launch of the first stock index futures contract since last October's market crasb.

The CBOE 250 got off to an auspicious start on the day the Dow Jones Industrial Average posted its biggest drop in seven months on tbe stock market. With a first day volume of 8,500 contracts traded, exchange officials predict an npbeat future for the prodnct, which comprises the 250 most heavily capitalised stocks on the New York Stock Exchange.

But in a market already crowded with stock index products jostling for the dwindling business that followed the crash, institutional traders are less sanguine about its chances of snccess. "The stock index market may be getting a little overdone," commented one institutional trader.

The CBOE 250 is tbe first product of a joint ventnre between tbe CBOE and the neigbbonring Chicago Board of Trade. Tbe index futures trades on the floor of the options exchange next to the CBOE's S&P 100 and S&P 500 options contracts in an arrangement aimed at encouraging arbitrage and spread business between the two.

Mr Mike Razar, a CBOE market-maker, who co-chairs the two excbanges' joint venture committee, said: "Never in history has a prodnct been designed with a view to creating so mucb liquidity through arbitrage against other contracts." Indeed, brokers were already trying spreade between the new contract and the S&P 500 index in the first half bour of trading on Friday.

However, significant arbitrage business will have to wait for the development of deeper liqnidity in the new contract and tbat wonld involve attracting institutional participation. Institutions have seen little need to offset risk with stock index contracts in the recent stock market torpor.

US auction decision depresses Treasuries

By Janet Bush in New York and Norma Cohen in London

THE US Treasury bond market reopened yesterday after its closure last Friday for Veterans Day and reacted negatively to news that the Treasury will auction 30-year bonds on Thursday as well as to continued dollar weakness.

By midsession, bond prices were quoted as mucb as ⅝ point lower at the long-dated end of tbe yield curve. Tbe yield on the Treasury's benchmark long bond consolidated ebove 9 per cent, quoted at 9.04 per cent at midsession.

To some extent, yesterday's weakness was in response to market evenls last Friday when the hond market was closed but the Dow Jones Industrial Average plunged and the dollar fell steeply.

The dollar recovered somewbat over the weekend. This helped bonds limit losses somewbat but the market was then undermined by news that the Treasury is to sell $9bn in 30-year bonds on Thursday.

Most bond dealers had expected the long bond auction to take place later on this month.

The dollar remains a key issue. The market will be particularly nervous this week because the Treasury will be looking for substantial foreign participation at the long bond auction and because the auction will take place tbe day after the September trade figures.

Fed funds traded on the firm side yesterday morning, partly reflecting the fact that it is payment day for last week's quarterly refunding.

GOVERNMENT BONDS

WEST GERMAN government bonds closed unchanged to slightly lower as trading slowed abead of this week's US trade data.

The Bundesbank announced details of a new Federal railway bond. The DM2bn 10-year bond has been assigned a 6⅜ per cent coupon with an issue price of 99¾ for an effective yield of 6.41 per cent. In the grey market, the issue was seen bid at 1.125 less to less 1.20 per cent, giving it a yield of about 6.55 per cent, about equal to yields on mortgage bonds.

Dealers were slightly disappointed with the coupon, saying they had expected the issue to earn a slightly more generous coupon of 6½ per cent.

The Bundesbank will announce today details of a 29-day "variable rate" repurchase agreement which will be offered to the markets in the US-style auction that has become characteristic in recent weeks. A fixed-rate DM11.7bn repurchase agreement is expiring today.

UK GOVERNMENT bonds closed unchanged to slightly higher although well below the day's best levels. Bond prices gave up ground after a larger than expected 1.9 per cent rise in October retail sales.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-28	+1/32	10.32	10.31	10.08
		8.750	9/97	94-00	-1/32	9.78	9.69	9.67
		9.000	10/08	99-12	+3/32	9.07	9.04	9.06
US TREASURY*		9.250	8/98	101-24	+7/32	8.97	8.90	8.75
		8.125	5/18	100-26	+1/32	9.05	8.96	8.86
JAPAN	No 105	5.000	12/97	102.6002	-0.464	4.58	4.72	4.74
	No 2	5.700	3/07	108.0438	-0.845	4.87	4.99	5.04
GERMANY		6.500	5/98	102.6750	+0.075	6.40	6.37	6.43
FRANCE	BTAN	9.000	7/93	97.8661	-0.267	8.59	8.48	8.48
	OAT	8.500	6/97	103.8500	-0.200	8.86	8.74	8.74
CANADA*		8.500	10/98	96.2500	-0.125	10.11	10.04	8.76
NETHERLANDS		6.500	7/98	101.1750	-0.100	6.37	6.36	6.26
AUSTRALIA		12.500	1/98	102.8548	-0.308	11.97	11.85	11.93

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japan plans to ease further market curbs

A JAPANESE government committee has issued a report containing wide-ranging proposals to ease official controls in various areas of business, including further deregulation of the financial markets, Reuter reports.

The report says banks and securities houses, whose business is now strictly separated by law, should be allowed to expand into each other's areas against the background of fair competition.

It proposes that commissions on stock transactions charged by brokerages should be lowered to internationally competitive levels. And says restrictions on the conduct of foreign exchange business by securities houses should be reviewed.

The committee submitted the proposals to the government's administration reform council yesterday. They will be passed to Prime Minister Noboru Takeshita in December, but the timing of their enactment remains uncertain.

The report proposes expanding the market in short-term government paper such as 60-day financing bills and six-month treasury bills (Tankoku). It also calls for continued deregulation of interest rates on large time deposits.

Activity slow ahead of US trade figures

By Dominique Jackson

TWO NEW issues in the Ecu sector and an Australian dollar Eurobond were the sum total of primary market activity yesterday with secondary market activity subdued ahead of a whole range of US and UK economic statistics due out this week, focussing on tomorrow's US trade report for September.

Trading was lacklustre in the fixed rate sector of the Eurodollar market with many dealers reportedly loath to unload paper while the dollar remained under pressure on the foreign exchanges. In the floating rate note market, attention was still fixed on the $700m issue for Portugal, launched late last week by Credit Suisse First Boston.

The lead manager reported steady demand for the issue, particularly from Japanese banks which have not been especially active in the FRN market recently. Nevertheless, the deal was trading at 99.90 to 99.92, placing it just outside the level of its total fees.

The Portuguese treasury was reported to be pleased with the issue which offered the country a far better all in cost of funding than it would have been able to achieve through the banking market, enabling it to refinance a substantial amount of outstanding debt at a much lower rate. Less than five years ago, Portugal was paying margins as high as 75 basis points over the London interbank offered rate on loans compared with the five basis point margin offered on last week's FRN.

The issue is expected to be supported by the paucity of supply of sovereign issues in tba sector, many of which could be called over the next months. However, many dealers felt that the pricing of the issue was a little tight for a borrower which is generally placed in the single-A credit bracket although *it has* not formally sought a rating itself.

This view was dismissed by several analysts who pointed to the rapid improvement seen in the Portuguese economy over the last half decade. Rates of growth are now among the highest in Europe while investment, both domestic and foreign, continues to be buoyant. Both inflation and the public sector deficit have been significantly reduced of late while its recent entry into the European Community has given Portugal an improved international profile and access to numerous development funds, enabling it to effect long overdne improvements to national infrastructure.

London-based agency EuroRatings recently aseigned its top E1+ short term rating to Portugal, covering among other obligations a $500m Euro-commercial paper programme. Its long term debt carries EuroRatings AA rating and it is expected that both the recent bulldog issue and the new FRN will also be assigned this rating. EuroRatings analysts said they expected perceptions of Portugal'e credit to continue to improve.

The Halifax Building Society came to the Ecu sector witb a Ecu125m *five* year deal *via* Banque Paribas Capital Markets which reportedly won the mandate over several otber houses which offered slightly tighter terms. The top building societies have been making efforts recently to improve tbeir profile in Europe where many investors still harbour doubts about the precise nature of these credits.

Mr Mike Ellis, treasurer of the Halifax said, "The widening of our investment base is fundamental to our wholesale funding strategy. The Ecu market, where there is particularly strong retail presence, is most important in this respect."

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Halifax B.Society◆	125	8	102	1993	1⅞/1¼	Banque Paribas
Ferrovie dello Stato◆	100	7¾	101⅞	1993	1⅞/1¼	Banco di Roma
AUSTRALIAN DOLLARS						
Montreal Trust Co.◆	50	14¾	101¾	1990	1¼/¾	County NatWest
YEN						
Girozentrale-Vienna(a)◆	5bn	6.4	101⅞	1993	1⅞/1¼	DKB Int.
Skopbank(b)◆	5bn	6	101⅞	1994	1⅞/1¼	Nippon Credit Int.

◆Final terms. a) Redemption linked to US$. b) Coupon in A$, redemption in yen at 100%.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday November 14 1988

Figures in parentheses show number of stocks per section

Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Nov 11 Index No.	Thu Nov 10 Index No.	Wed Nov 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (77)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ◆	1794.3	-8.4	1800.9	1776.5	1802.7	1826.2	1825.7	1840.6	1819.7	1684.7

(In the FT-SE 100 row the column heads are: Index No., Day's Change, Day's High (a), Day's Low (b), Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Year ago.)

FIXED INTEREST

[illegible]

◆Opening index 1776.5; 10 am 1787.0; 11 am 1795.3; Noon 1794.9; 1 pm 1796.5; 2 pm 1799.8; 3 pm 1797.2; 3.30 pm 1794.1; 4 pm 1791.1. (a) 1.42 pm (b) 9.00 am. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	36	22
Corporations, Dominion and Foreign Bonds	7	8	36
Industrials	218	847	510
Financial and Properties	59	380	228
Oils	13	52	40
Plantations	0	6	7
Mines	36	60	93
Others	20	138	84
Totals	406	1,527	1,020

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings: Nov 7
- Last Dealings: Nov 18
- Last Declarations: Feb 9
- For settlement: Feb 20

For rate indications see end of London Share Service

Calls in J.F.B, Unigate, Greenwich Res, Atwoods, Tubular Exhib, Tranwood, Norfolk Cap, Boots, Exploura, Storehouse, Premier Cons, Mountleigh, Waterford Glass, IMC, Dixons, London Secs, Cityvision, VPI, Queens Moat, Oliver Res, Era Corp, West Inds, Chloride, Mt Charlotte, London, BSR, PMC, Sears, Hambros Countrywide, Regalcrest, Buckley's Brewery. Put in Cadbury.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*458)	420	50	66	–	8	16	–
	460	25	39	50	23	31	38
Brit. Airways	160	12	16	23	8	11	14

Option		Calls Nov.	Calls Feb	Calls May	Puts Nov.	Puts Feb.	Puts May
Plessey (*167)	140	28	30	33	1	2	4
	160	9	15	19	2½	7	9
	180	1½	7	11	15	18	20

[illegible]

November 14. Total Contracts 44,007 Calls 24,158 Puts 19,849
FT-SE Index Calls 4146 Puts 10351
*Underlying security price

UK COMPANY NEWS

Broadly-based advance takes BOC over £300m

By Vanessa Houlder

A STRONG, broadly-based, performance helped BOC, UK industrial gases and healthcare group, to announce yesterday its first set of annual pre-tax profits to exceed £300m.

Profits rose by 15 per cent to £301.5m (£263.2m) on turnover up by 8 per cent to £2.56bn (£2.36bn) for the year to 30 September. The figures were in line with analysts' forecasts, although in a falling market the shares lost 1p to 414p.

Mr Richard Giordano, chairman, said he was pleased with the results, which partly reflected the strength of the economies in which BOC traded. Although the prolonged boom in the US and other economies was expected to pause, BOC had more than adequate momentum to generate another very satisfactory year of growth.

The 14 per cent rise in operating profit in the gases businesses to £225.3m (£196.8m) was particularly rewarding, said Mr Giordano. The substantial investment of past years had paid off, since the capacity was in place to meet the increased demand resulting from a surge in capital spending in the indnstrial economies.

Health care operating profit rose by 10 per cent to £89.8m (£81.3m), helped by strong results from the anaesthesia pharmaceuticals business and the anaesthetic equipment and patient monitoring systems business.

However, Glasrock, the US home health care business, suffered a small loss due to continuing problems with a computer-based management system being introduced. Mr Giordano said installation was "frustratingly slow" but the system was expected to be installed throughout the US branch network in 1989.

BOC was very optimistic about a clutch of new drugs for the anaesthetics and muscle relaxant fields that were now entering clinical trials, said Mr Giordano. At least one of the eight products under test was likely to be successful and go on sale in the early 1990s.

The special products and services businesses increased operating profits from £32.9m to £44.9m following a good year from the vacuum technology businesses.

Capital spending on new plant, equipment and acquisitions exceeded £580m. In the current year it is likely to range between £500m and *£580m. Borrowings have risen* from £450.9m to £607.3m.

Acquisitions made during the year included Selox, the largest privately owned US gases company, and Spectramed, a US medical equipment manufacturer, part of the home health care division of Baxter Travenol. A further 28.3 per cent stake in The Commonwealth Industrial Gases Co, Australian subsidiary, brought its holding to 87.5 per cent.

The principal disposals were the Carbon and US-based Carbide businesses which incurred a £23.7m extraordinary loss, of which £5.2m was a tax charge.

BOC had again hedged against fluctuations in the dollar by selling forward all its projected US earnings for 1989 at $1.67.

With a reduction in its tax charge from 28.5 per cent to just below 28 per cent, earnings per share rose by 22 per cent to 44.37p (36.32p).

In accordance with the new dividend policy announced last month, the directors have declared a total dividend of 16.6p per share for 1989, to be paid in two equal amounts in February and August. The total dividends represent a rise of 23 per cent on dividends of 13.5p for calendar 1988.

See Lex

Struggle of the trader and the accountant

Paul Cheeseright on the effect on Mountleigh of the boardroom's differences of style

TURMOIL AT Mountleigh, mercurial property company, has left the market with more questions than answers.

As Mr Tony Clegg, back in the seats of both chairman and chief executive, resumes full control, it is not clear how he will develop the company.

Mr John Duggan, whom he installed as chief executive a month ago, had been attempting to wind down the gearing and build Mountleigh as an investment company with a development arm.

That though had never seemed Mr Clegg's style: he was, and presumably remains, a trader, an entrepreneur.

But it may be that Mr Clegg will not be in full control at all. Certainly he retains the prestige as the man who built the company up, but he has no shareholding now.

He sold the 5.4 per cent stake he and his family controlled to a consortium of which he is a member for 180p a share. Now that consortium has sold the stake to a company controlled by SASEA Holding of Geneva for 200p a share. So Mr Clegg has managed to sell some of his shares twice in about five weeks.

SASEA, with 13.7 per cent, is now the biggest single holder of Mountleigh equity. According to the last annual report, the only other shareholder with more than 5 per cent is the Universities Superannuation Scheme with 5.7 per cent.

The sale by the consortium of the old Clegg holding, coming on top of the purchase of shares it had already made – 7.6 per cent from Newcombe Investments – gives SASEA a convenient platform for a full bid.

But the members of that consortium included Mr Duggan for a very short period – he walked out of it after Mountleigh's merger talks with Wembley, the sports stadium proprietor, were called off – and Mr Brian Wolfson and Mr Geoffrey Simmonds. These two were both brought on to the Mountleigh board last month.

And here lies the next uncertainty.

If the reason for their arrival on the board has disappeared, perhaps Mr Wolfson and Mr Simmonds will soon be resigning, leading to more upheaval on the hoard. (Mr Hamish Bethune, another non-executive director, resigned last week.) What might prevent this would be a resumption of the Mountleigh-Wembley talks.

Mr Wolfson is the chairman and chief executive of Wembley and Mr Clegg is on the Wembley board. Evidently the terms of a merger had been agreed, but were stymied by Mr Duggan on the grounds of price. He did not want funds which had been drawn in from a series of de-gearing sales to be turned round into a Wembley merger. The difference of approach between Mr Duggan and Mr Clegg is at least one reason why the two parted company yesterday.

A Wembley deal, however, would be made easier for Mr Clegg if Mountleigh received £350m, the price believed to be on the table, from the sale of Galerias Preciados, the Spanish department store chain, to the Galerias Consortium. This is the company set up by SASEA, helped by London merchant bank Tranwood Earl, to hold the shareholding in Mountleigh and to bid for Mountleigh International, where the main asset is Galerias Preciados.

The outcome of these negotiations is the first uncertainty which Mountleigh has to resolve.

Tony Clegg – it may be he will not be in full control

Indications yesterday were that the deal would probably go through. The price is generous: Mountleigh International committed £153.38m to the purchase in December 1987. By selling Mountleigh International as a whole, as opposed to Galerias Preciados alone, Mountleigh itself would be rid of possible potential tax liabilities.

Importantly, the market will probably approve. The City has never been comfortable with the Spanish purchase, in spite of Mountleigh's efforts to persuade it otherwise with visits to Madrid for brokers to look at the operation. The costs of bringing the Galerias Preciados back to profit have been a factor depressing the Mountleigh share price.

Whether the market will approve of Mr Duggan's removal is another question. His departure, Wembley notwithstanding, reflects both the fact that Mr Clegg had more influence on the Mountleigh board than did Mr Duggan and also a fundamental difference of style.

One was a freewheeling trader, the other a cautious accountant. One was tied to quick and growing profits in an earnings per share mentality, the other to careful asset growth and low borrowing at a time of high interest rates.

The market thrilled to the first set of characteristics until October 1987. It has distrusted them since.

ANI offers loan note option

By Ray Bashford

AUSTRALIAN NATIONAL Industries is offering a loan note alternative to its 148.5p per sbare casb offer for Aurora, Sbeffield-based engineering company.

Aurora ebareholders are being offered loan notes for all or part of tbeir entitlement hecause they may have tax attractions to certain holders, according to the formal offer document released yesterday.

Aurora rejected the £138m offer on grounds that it did not fully reflect the value of the shares and that a cash offer might create tax problems for certain shareholders.

ANI said that the offer price fully valued the ehares which it claimed had been huoyed by takeover speculation.

The document shows that ANI is sitting on a handsome paper profit on its investment, having purchased slightly over half of its stake at prices ranging from 70p to 90p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ASW Holdings ....fin	5	Jan 21	-	5	-
Cater Allen ....int	5.37	Jan 5	5.37	-	22.5
Fairbriar ....int	1.7	Feb 7	0.9*	-	3.4*
Isopad Int'l ....int	1.5	-	-	-	-
Marshalls H'fax ....int	2.25	Apr 6	2	-	7.25
Tubular Exhib § ....fin	0.4‡	-	-	0.4	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 16 months.

Beazer refinances $1.7bn Koppers purchase

By Philip Coggan

BEAZER, UK construction and aggregates group, yesterday announced it had reached agreement for refinancing the acquisition of Koppers, the US aggregatee and chemicals group lt acquired for $1.7bn (£944m) in June.

Originally the acquisition of Koppers was made by BNS, a financing vehicle of which Beazer only owned 49 per cent. This structure was designed to keep the Koppers debt off Beazer's balance eheet, hnt under the terms of the new deal, Koppers will become a wholly owned subsidiary.

Since the acquisition Beazer has been able to revalue Koppers' assets hy £360m and has found that the chemicals and aggregates divisions are performing ahead of expectations. The board therefore feels that a refinancing is appropriate.

BNS's original borrowings were set to be replaced in December by "merger finance" of $1.83bn, of which about $570m would be high-yielding debt securities, so-called "junk bonds." Instead, a syndicate of banks – Citibank, National Westminster Bank, Barclays Bank and Mellon Bank – is underwriting a $3.3bn facility, including $400m in loan finance pending disposals of Koppers' businesses.

Beazer will use the funds to purchase the majority stake in BNS, currently owned hy Shearson Lehman and National Westminster Bank. Gearing will be about 150 per cent following the proposal, hut it is estimated that the refinancing will result in interest savings of about $25m a year.

Elders allowed to keep shares

By Lisa Wood

THE GOVERNMENT announced yesterday that Elders IXL, the Australian group, will not he forced to unscramble the controversial deals which took its stake in Scottish & Newcastle Breweries from 14.1 per cent to 23.6 per cent.

Lord Young, Trade and Industry Secretary, also rejected calls by the Labour Party and S&N that Elders be forced to sell the extra 9.5 per cent stake acquired in the market on Thursday. He said he had no powers to order a divestment in advance of a recommendation from the Monopolies and Mergers Commission.

Elders provoked a political storm last Thursday when it bought 35.2m shares in a short period after the Office of Fair Trading announced that the £1.6bn bid from the brewer of Foster'e lager for the Scottish brewer was being referred to the MMC.

Elders' action was seen by the Government as a breach of the spirit, if not the letter, of rules governing corporate practice after an MMC inquiry has been announced. Normal practice in the City is for sharebuying to stop after a reference is made.

The DTI had said on Thursday that it would not seek to nullify the deals. An order taken out on the same day prevented Elders from buying any more shares and limited its voting rights to 15 per cent of the S&N capital.

Lord Young said: "No good purpose would be served, and harm could be done to third parties, by unscrambling the deals that took place in good faith in the marketplace."

Marshalls Halifax up 70% to £12m

By Philip Coggan

MARSHALLS HALIFAX, the concrete products and brick company, yesterday revealed a 70 per cent increase in interim pre-tax profits to £12.05m from £7.09m last year.

The half-time figures included a £2.5m profit from George Armitage & Sons, the engineering brick company which Marshalls acquired for £70m earlier this year. Mr David Marshall, chairman, said that the performance of Armitage was exceeding the company's original expectations.

Fully-diluted earnings per share were 28 per cent higher at 14.5p (11.05p).

Turnover for the group was 37.5 per cent higher at £74.38m (£54.08m). Tax was £4.19m (£2.52m). The interim dividend is increased to 2.25p (2.00p).

● **COMMENT**

Marshalls has performed remarkably well in hanging on to its 40 per cent share of the rapidly growing concrete block paving market. Such a high market share obviously has its long-term dangers; the purchase of Armitage was therefore welcome, although many thought the price was high. Over the long term, Marshalls' management has shown it can perform and the Armitage acquisition will put it in a strong position for the 1990s. Inevitably, any slowdown in the construction market would affect the group but that danger is already reflected in the share price. Since pre-tax profits of £24m look attainable for the year, the prospective p/e is just under 9 on shares 4p lower at 234p. That rating looks good value for the long term.

Minorco adviser outraged by newspaper story

By Ray Bashford

LAZARD FRERES, the New York investment bank which is acting as adviser to Minorco, said yesterday that it was "shocked and outraged" by a newspaper report claiming it had leaked information about the £2.9bn offer for Consolidated Gold Fields before it was announced.

The report in the Sunday Times alleged that Lazard Frères gave information to Newmont Mining, a Gold Fields associate company in the US, prior to the announcement of the Minorco bid.

The investment bank said that Newmont asked it last August to act for the company. Mr Gordon Parker, the Newmont chairman and director of Gold Fields was aware that Lazard Frères was financial adviser to Minorco when the request was made, according to the investment bank.

"A decision was made to tell Newmont that Lazard's client, Minorco, was 'reassessing its position vis-à-vis its shareholding in Gold Fields' and that Lazard could not act for for Newmont," the bank said.

"Mr Ames (a partner in Lazard Frères) made no reference to a possible tender offer," the statement said.

Lazard said that the newspaper report was inaccurate and misleading and that it had acted with "appropriate discretion at all times."

Avdel fights back against Banner bid

Avdel, the former Newman Industries, yesterday issued its defence document in its fight against a £102m bid from Banner Industries, the US group.

As part of its defence, Avdel is forecasting a final dividend of 1.6p (1p) making a total of 2.2p (1.5p) for the year.

The document carries a front page flag "Warning: Banner's gearing could seriously damage Avdel's health" and inside Avdel argues that a merged Banner/Avdel would be so highly geared as to threaten future investment in the Avdel businesses. If intangible assets are deducted, Avdel says a merged group would have a negative net worth of $175m.

Carless attacks Kelt's financing ability

CARLESS, the oil independent fighting a hostile bid from the smaller Kelt Energy, yesterday attacked Kelt's ability to finance the £210m offer, claiming that the predator may have the greatest difficulty in fulfilling the terms of its financing arrangements, writes David Waller.

In its formal defence document, posted to shareholders yesterday, Carless pointed to the fact that almost all the cash required to finance the bid – £191m out of the total – is to be horrowed, and that £96m must be repaid within six months of the offer going unconditional.

Carless also said that its assets are being used as security for its existing loans, and that its bankers would not forsake their charge over those assets. Thus, said Carless, Kelt would not be able to proceed with its planned asset disposals.

Mr Alastair Locke, Kelt'e managing director, said yesterday that these arguments were inept, saying he was not concerned about the financing for the bid: "The timetable and the terms of the loan from the American Express Bank were requested by us in the first place."

He said that Kelt's options were not limited to disposing of Carless' assets. It could sell some of its own existing assets, and could refinance some of the short-term debt, he said.

UK COMPANY NEWS

Plessey expands traffic systems side in Europe

By Terry Dodsworth, Industrial Editor

PLESSEY, electronics group, launched a new pan-European development strategy yesterday with a deal linking its traffic systems division with similar companies in France and Spain.

Mr Stephen Walls, Plessey's recently-appointed managing director, described the transaction as the forerunner to other collaborative and participative groupings in Western Europe.

"You need a far more flexible approach to tackle the European market than elsewhere," he said. "We are adopting a case-by-case strategy that will involve minority holdings, collaborative ventures and cross-shareholdings."

Under yesterday's agreement Plessey is spending an undisclosed sum on a 74 per cent holding in Elsydel of France and 49 per cent of the CAE Group in Spain, both private companies.

The holdings are to be grouped in a new subsidiary responsible for expanding the traffic control business in Western Europe, where a further seven or eight acquisitions are being planned.

Two further deals, one in West Germany, should follow within a matter of weeks.

Plessey's aim is to build an international group with interests in a range of activities such as traffic lights, car parking controls, toll systems, motorway traffic controls and integrated road and rail ticketing systems. In time the overseas collaborators would be encouraged to purchase cross-shareholdings in the holding group.

Mr Walls, who has been one of the key executives behind a sweeping reorganisation of Plessey over the last 18 months, said that in many areas it was important to have a partner in the rest of Western Europe because of the need for local knowledge. This was particularly significant in businesses dominated by public procurement and also in service sectors such as traffic controls where national traditions were important.

Mr Marcus Beresford, managing director of the new traffic control company, said that turnover of the division following yesterday's acquisitions would be about £70m. He estimated the total European market at £300m, with growth of 10 to 15 per cent a year.

Mr Beresford refused to give profits figures for the group. But he said that all the companies in the newly-created division were profitable, and that the industry generated healthy margins.

McLeod Russel in £16.8m bid

By David Waller

McLEOD RUSSEL Holdings, the paint maker and plantations company which merged with property to textile company Kennedy Smale last year, has made a £16.8m cash bid for Granyte Surface Holdings, a manufacturer of wood finishes and industrial paints which joined the Unlisted Securities Market in December 1985.

McLeod Russel, which has been busy diversifying from its traditional plantations business, said yesterday that it hoped its offer would win the recommendation of the Granyte board. Granyte said that it was consulting its financial advisers and urged its shareholders to take no action pending a further announcement.

The offer is pitched at 120p per Granyte ordinary share, a near 60 per cent premium to the closing price last Thursday, the day before McLeod went into the market to accumulate 1.09m shares, a 7.8 per cent holding. Yesterday, the shares closed 22p up at 125p.

McLeod argued that Granyte Surface would complement its activities in specialist paints and surface coatings. The bid values the company at approximately 17 times historical earnings. Granyte generated a pre-tax profit of £1.65m last year on turnover of £13.8m, whereas McLeod made £7.21m in the year to March on turnover of £38.7m.

McLeod's strategy of turning itself into a UK-based industrial holdings company has meant significant disposals of its plantation interests, leaving it with cash resources of more than £19m.

There is a loan note alternative to the cash offer. McLeod Russel is advised by SG Warburg & Co.

McAlpine boosts housebuilding

By Andrew Hill

ALFRED McALPINE, the UK building, civil engineering and construction group, is to merge Alfred McAlpine Homes, its housebuilding subsidiary, with Canberra Group, a privately-owned housebuilder, and intends to float the enlarged division on the Stock Exchange.

McAlpine will hold 60 per cent of the enlarged group and will retain a majority holding after flotation, which could take place within two to three years. The listed company is expected to have a market capitalisation of at least £100m.

The deal should increase McAlpine's housebuilding capacity by about 50 per cent and extends operations into the Midlands. Mr Robert McAlpine, chairman, said the merger, heralded in August, had been restructured to reflect changes in the climate for housebuilders.

The stake offered to the vendors of Solihull-based Canberra – principally Mr Eric Grove, the founder chairman – had been slightly increased. "We also decided to put a relatively small amount of money upfront," Mr McAlpine added. "While we are extremely optimistic about the next few years, we obviously feel the market and the public are not and we wanted to do a deal which would please the City."

Initially the only cash to change hands will be two preferential dividends of £3m in each of the years to October 31 1989 and 1990 for holders of newly-created 'A' shares in the enlarged group. Eventually, some or all of Mr Grove's stake in the merged company will be sold, releasing shares for the stock market listing.

A £27m intercompany loan from Alfred McAlpine Homes to another McAlpine subsidiary will be converted into equity in the enlarged housebuilder, giving it net assets of about £50m.

In the year to May 31, Canberra made £8.3m before tax on sales of £51.1m. Mr McAlpine said that in the year to October 31, Alfred McAlpine Homes would easily surpass 1986-87 operating profits of £7.29m on turnover of £104m.

The enlarged company expects to sell about 2,000 houses and flats in 1989, working from a land bank of about two-and-a-half years' stock.

McAlpine's shares rose 2p to close at 321p.

Pernod awaits Panel decision

By Lisa Wood

The full Takeover Panel is expected to announce later this week whether it has upheld its executive's decision that Pernod Ricard, French drinks group, broke the Takeover Code in securing irrevocable acceptances from shareholders of Irish Distillers Group before launching an agreed bid.

The executive of the Panel last month ruled that Pernod had breached the Code but referred a decision on the consequences of the breaches to a meeting of the full Panel.

IDG and Pernod, which claims a majority stake in the whiskey group, lodged an appeal against the finding.

The full Panel has spent two days taking submissions from Pernod and Grand Metropolitan, the UK drinks group which is fighting Pernod for control of IDG.

Laporte's £30m German buy builds core business

By Vanessa Houlder

LAPORTE INDUSTRIES, speciality chemicals company, yesterday announced plans to double its environmental care and hygiene business through the DM 95m (£30m) purchase of the industrial cleaners division of the West Germany-based Joh A Benckiser.

This is the latest move in Laporte's bid to build a major new core business operating internationally in environmental care and hygiene products. This started in May with the acquisition of the UK-based Gramos Chemicals International and continued with the purchase of the Australia-based Lustral in June.

Mr Ken Minton, chief executive, said that this field was developing rapidly because of the introduction of stricter rules on industrial health and the trend towards improvements in the working environment.

The products and services provided by Benckiser were complementary to those of Lustral and Gramos, offering substantial scope for synergistic development by all three companies, said Laporte.

The Benckiser division is involved in industrial cleaning and sanitation, with an emphasis on the brewing, dairy, soft drinks and agricultural industries.

The business, which has operations in West Germany, Austria, Switzerland, Belgium, the Netherlands, Spain and the UK, makes annual profits of about DM 13m.

The deal is expected to be completed before the end of the year.

FT to pay £5.5m for Spanish stake

By Raymond Snoddy

THE Financial Times yesterday confirmed that it had reached agreement to acquire a 35 per cent stake in Expansion, the Spanish financial and business daily.

The FT, which has been pursuing a policy of taking strategic stakes in similar newspapers in different countries, has signed a letter of intent that it will pay £5.5m for the stake.

Half of the consideration will be paid this year with the balance payable next June.

Expansion was founded in 1986 and now sells around 25,000 copies a day. It claims to sell more than Cinco Dias, the competing Spanish financial daily in which the FT unsuccessfully tried earlier this year to take a 44.5 per cent stake.

Expansion has been noted for its close links with Opus Dei, the lay Roman Catholic organisation whose members have wide business interests in Spain.

Mr Juan Pablo de Villanueve, Expansion chairman, is a member of Opus Dei as is Mr Juan Kindelan, managing director, and Mr Luis Infante, chief executive in charge of publishing.

Many of the newspaper's journalists were trained at the University of Navarra, the Opus Dei university.

In addition to the stake in Expansion, the FT already owns 66 per cent of Les Echos, the French financial daily, and 25 per cent of the Financial Post, the new financial daily in Canada.

Brit Syphon buy-out statement expected

By Andrew Hill

BRITISH SYPHON Industries, the merchanting and manufacturing company, should announce the details of a management buy-out this week, despite possible opposition from some large shareholders.

Electra Investment Trust, which has a history of involvement in management buy-outs, increased its holding from 10.1 per cent to 10.6 per cent the day after the buy-out was proposed on October 27. Although it is a long-standing shareholder and stands to make a profit on its holding, Electra is believed to be unenthusiastic about the price of 155p a share mentioned in the initial announcement

Mr Bryan Morrall, British Syphon's chairman and chief executive, who is heading the buy-out team, said yesterday that the details of the bid had not yet been finalised, but he could see no reason why the offer should be increased.

Objections to the price have also been voiced by Mr Nethu Ram Puri and Melton Medes, the private industrial group which he heads, which increased its stake in the Cheshire-based company to 8.43 per cent last week, and Olive Holdings, the papermaking company formerly known as Olives Paper Mill, which holds a 4 per cent stake.

Olive's chairman, Mr Michael Kent, Mr Puri's rival in last year's takeover battle for the papermaker, believes British Syphon is worth at least 200p a share, or £64.5m.

Mr Morrall and Mr Christopher Shaw, managing director, own about 8.75 per cent of British Syphon between them. Mr Tony Statham, finance director, is the third member of the buy-out team, which also intends to pay off British Syphon's borrowings of £10m.

Five Oaks rises to £3m

By Clare Pearson

FIVE OAKS Investments, property company, increased pre-tax profits by 39 per cent to £3.04m in the year to end-June, whilst net asset value per share rose 26 per cent to 64.7p.

Since the end of the period, Five Oaks has doubled in size with an £11.4m one-for-one rights issue. This came at the same time as it acquired a £28.6m portfolio of offices and shops in the south-east, which substantially enhanced its income-producing assets.

Five Oaks said yesterday that the new properties satisfied its requirement for initial income with in-built asset and rental growth, while providing a forward workload of trading and refurbishment opportunities.

With the purchase of the 28 properties, Five Oaks' rental income has risen to £2.9m per annum, against £650,000 at the end of June. It now has income producing assets worth more than £43m.

On a fully diluted basis, earnings per share during the last financial year rose 22 per cent to 8.73p (7.14p). Turnover stood at £4.9m (£11.57m).

To avoid any difficulties associated with having ordinary shares in issue after the September rights issue with different dividend entitlements, Five Oaks last month paid an ordinary dividend for the last financial year of 1.25p as a special interim dividend.

This compares with its payment of 1p the previous year, which marked its return to the dividend list.

Guinness to sell Sonoma Vineyards

By Lisa Wood

Guinness, UK drinks group, has agreed to sell Sonoma Vineyards, a wine production, mail order and telemarketing company, to Klein Foods of California.

Sonoma Vineyards was acquired by Guinness when it bought Schenley Industries, its US distributor, last year for $480m.

Guinness has already completed the sale of Tool Summit to Orgill Brothers of Nashville, Tennessee. This was also owned by Schenley. Guinness gave no details of the sale prices but industry sources said the deals were worth about $35m (£19.37m).

Ratners EGM adjourned

By Maggie Urry

Ratners, jewellery retailer, yesterday had to adjourn the extraordinary meeting considering its £150.8m purchase of two businesses from Next, because the Department of Trade and Industry had not yet announced whether the deal was to be referred to the Monopolies and Mergers Commission. The meeting will reassemble on Friday.

The deal to buy the Salisbury's chain, which sells handbags, luggage and costume jewellery, and Zales, a jewellery chain, plus some other jewellery shops, from Next, was announced on October 11.

The Office of Fair Trading passed its recommendation to the DTI late last Friday. Normally the Secretary of State's decision is released within a few days of receiving the OFT's recommendation. Thus it should be announced in time for Friday's meeting to go ahead.

UK COMPANY NEWS

Fairbriar surges to £6m midway

By Fiona Thompson

FAIRBRIAR, Surrey-based property development and investment company, reported pre-tax profits sharply ahead at £6.21m for the six months to September 30 1988, against £2.31m last time. Turnover trebled to £20.83m from £6.95m.

Fully diluted earnings per share, following the one-for-one scrip issue in July, rose from 3.84p to 10.34p, and an interim dividend of 1.7p is declared, an 89 per cent increase on last year's 0.9p.

Mr Remo Dipre, chairman, attributed the rise to selling at least 45 Surrey houses in the £300,000-plus price bracket, and the sale for £3.5m of a tract of land in Dorset.

Mr Dipre said Fairbriar had significantly expanded its property portfolio, mainly from self developed commercial units, and was rapidly building up rental income from these units.

In particular, some developments currently under construction were expected to produce significant rental income streams.

The commercial and industrial developments were principally being retained for investment purposes and now represented a substantial part of the business.

Because of this, an independent professional valuation of certain fixed assets was commissioned. Total group net assets, including the valuation and retained profits from this period being reported, amounted to approximately £36m, equivalent to 95p per share.

The group had not experienced any significant softening in demand, despite concern over interest rates and their effect on the residential sector, said Mr Dipre. In the West Conntry particularly it remained strong.

● COMMENT

Fairbriar has done it again, to no one's great surprise. An extremely shrewd land buyer, it often appears unrivalled in its ability to choose just the right site for development. Its land bank at the moment stands at four years. And despite the London market slowing, demand in Dorset remains strong. As a deliberate policy, the company has boosted the investment side, and expects rental income to reach £700,000 by the year end, increasing to £2.5m in 1990. Analysts are looking for full year pre-tax profits of £17m, putting the shares, 2p up at 195p, on a clearly cheap prospective p/e of 6.5.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- AAH, British Airways, De La Rue, Granyte Surface Coatings, Great Portland Estates, Jos Popper, Meyer Intl, Normans Group, Sotheby's, Southnews, Tanjong Tin Dredging, Thames TV, Trimoco, Unigate, Warriford Invs, Whitbread.

Finals- Control Techniques, Hatfield Estates, London Entertainments, Raine Inds, Tomkin Invs, Yeoman Inv Trust.

FUTURE DATES

Interims-	
Bassett Foods	Nov. 30
Fulcrum Inv Trust	Nov. 24
Glamar	Nov. 24
ITL Info Technology	Dec. 8

AIB in bloodstock venture

By Kieran Cooke in Dublin

ALLIED IRISH Bank, Ireland's largest banking group, is developing and promoting a new company for investment in Ireland's multi-million pound bloodstock industry.

Leading Sires was launched yesterday with the aim of raising I£5m (£4.26m) to invest in leading stallions at present at stud in Ireland.

Mr Denis Brosnan, chairman of Leading Sires and head of the highly successful Kerry Group of companies, said £2.5m had already been committed to the project, with an AIB-related company committing £500,000.

Mr Brosnan said there was no shortage of people willing to invest in the bloodstock industry, in which Ireland was acknowledged as a world leader.

"There is the additional attraction for those of us who have an interest in bloodstock of watching results, both in the sales ring and on the race track, of the progeny of the stallions in which we have an interest," he said.

Ireland's bloodstock industry is believed to employ some 12,000 people and is a sizable foreign currency earner. AIB has had a special bloodstock section for three years and describes itself as a principal banker to the bloodstock industry.

Tubular turns in £1.03m for 16 months

By Fiona Thompson

TUBULAR EXHIBITION Group, which provides hospitality chalets for exhibitions and sporting occasions, crowd control barriers and permanent and temporary seating, yesterday reported pre-tax profits of £1.03m for the 16 months to July 31 1988.

When it joined the USM in October 1987, Tubular changed its year-end from March 31 to July 31, so there are no comparable figures. However, for the year to March 31 1987, pre-tax profits were £193,000. The results have been merger accounted. Turnover for the 16 months was £4.02m, against £2.44m for the 12 month period.

Prior to the flotation, the company, basically a shell known as Djember Holdings, acquired Tubular Barriers and changed its name to Tubular Exhibition Group.

Sir David Floyd Ewin, chairman, said the introduction of the group's new hospitality chalets at the Farnborough Air Show and Cheltenham Races were enthusiastically received. Tubular had 171 single-storey and 89 two-storey chalets at Farnborough.

Interest payable was £86,000 (£91,000) and tax took £274,000 (£83,000). Earnings per share rose from 0.3p to 1.81p. A maiden dividend of 0.4p was declared.

Whitbread Inv rises

Net asset value of Whitbread Investment Company, the investment trust with over 93 per cent of its funds in the brewing sector, increased from 440p to 476.8p a share in the six months to September 30.

The trust announced an 18 per cent increase in revenue before tax to £5.36m (£4.56m). Net revenue and earnings per share rose 24 per cent to £4.02m (£3.23m) and 6.37p (5.12p) respectively. An interim dividend of 3.05p (2.8p) was declared.

Erskine House buy

Erskine House Group, office equipment distributor, has acquired ADS, London-based copier sales and servicing company for a maximum of £4.5m.

The terms are linked to ADS achieving pre-tax profits of £2m in the 12 months to March 1990.

Erskine House will initially obtain 98 per cent of the capital through an injection of £2m and a payment of £100,000 to the two vendors.

Dixons expands

Dixons, is expanding its US chain of Silo stores. It has opened 17 free-standing shops in the Chicago area. This follows success earlier this year with 11 shops inside department stores in the area run by Marshall Fields.

Cater Allen pays up to £13.4m to purchase money broker

By Andrew Hill

CATER ALLEN Holdings, discount house, is diversifying into money broking – arranging the lending of money and gilt and equity stocks to market makers – with the purchase of Sheppards Moneybrokers from BAII Investments, an Arab-owned French banking business, for up to £13.4m.

Cater said the move would reduce its dependence on operations sensitive to interest rate movements.

The discount house's market-making business suffered from the interest rate rises in June and August. Losses in those months were offset only partially by profits in the rest of the period, and overall profits for the half-year to October 31 were slightly down on the equivalent period as a result.

In line with other discount houses, Cater does not provide details of its interim results, other than declaring an interim dividend – unchanged at 5.37p.

Cater said the purchase of SML, for an initial £8m in cash, was part of its policy of developing into wholesale City-orientated businesses. A further sum, making a total of up to £13.4m, will be paid if SML makes a return on investment of more than 15 per cent in the next three years.

Mr James Barclay, Cater's chairman, said "severe Chinese walls" would allow SML to operate independently of the discount house's other activities. In particular, he said, SML, which was set up in 1985 to take over the money broking activities of stockbroker Sheppards and Chase, would not trade with the group's gilt-edged market making operation.

In the year to December 31 1987, SML made £1.75m before tax and has net tangible assets of £10m. The minimum payment of £8m is based on pre-tax profits of £1.2m this year.

De Savary buys 363-acre site

MR PETER de Savary, yachtsman and entrepreneur, is buying, through Highland Participants, a 363-acre freehold site in southern England which includes Southampton (Eastleigh) Airport.

The land is owned by Findhelp, which Highland is buying for £2 and assuming liabilities and other expenses of £50m; initial finance is through a short-term loan facility.

Highland is currently in discussion with a number of leading property companies with a view to maximising the potential benefits of the non-airport-related land for shareholders.

The site has direct access to the M27 motorway and to Southampton Parkway railway station. An outline planning application has been submitted in relation to part of it.

The airport is operated by Airports UK, part of the BAA group. Current net income generated by the assets acquired is some £2.3m annually.

ASW beats dividend forecast

By Vanessa Houlder

IMPROVED TRADING conditions have prompted ASW Holdings, formerly Allied Steel and Wire, to announce a dividend of 5p for 1988 – a 14 per cent increase over the 4.4p forecast at the time of the flotation in May.

Mr Chris Lyddon, finance director, said that during the year, prices had risen on the Continent by as much as 10 per cent for certain prodncts. It had previously been difficult to predict how prices would behave following the abolition of quotas at the turn of the year.

ASW was established in 1981 as a joint venture between British Steel and GKN. In September, ASW reported interim results for the first six months of 1988 which showed an increase in pre-tax profits on a pro-forma basis from £10.2m to £13.2m.

Gent (SR)

The annual general meeting of Gent (S.R.) will take place at noon tomorrow at Painters' Hall, 9 Little Trinity Lane, London EC4. The time and place of the meeting were incorrectly reported in yesterday's FT.

Wellman restructuring continues with £3m sale

WELLMAN, the engineering group which has recently climbed out of heavy losses, is continuing its restructuring with the disposal of two subsidiaries for a net $5.2m (£2.86m). The directors intend to eliminate all preference dividend arrears and expect to resume ordinary payments for 1988-89.

Wellman is selling Systems, its US subsidiary, and the related UK businesses, to its US management, and will be investing $1.25m in the buyout vehicle.

The companies – which make a range of engine glowplugs, industrial heaters and furnaces – contributed £218,000 to Wellman's profits after interest and tax last year.

The company said that the *offer from the US management* gave it the opportunity to pull out of difficult and risky markets.

Cattle's purchase

Cattle's (Holdings), consumer credit financier and insurance broker, is paying £378,000 to acquire Southern Trust Financial Services. Finance is via the issue of 600,000 shares at 63p.

Southern Trust specialises in the provision of weekly collected consumer finance and the sale of household goods through a network of 85 agents.

It incurred a loss after extraordinary items of £307,000 last year bnt management accounts show that it made a pre-tax profit of £44,000 in the first half of the current year.

Barton Transport

Barton Transport, Nottingham-based coach operator, announced pre-tax profits down from £227,000 to £156,000 for the year to September 24. Turnover fell to £7.49m compared with £8.07m.

The dividend for the year is held at 24p. Earnings fell to 23.8p (30.9p) after tax of £31,000 (£68,000). Extraordinary redundancy costs this time were £65,000.

York Trust acquisition

By David Waller

YORK TRUST, financial services group run by Mr Neil Balfour, former Euro-MP, has bought Babcock & Brown (UK), international lease and money and financial futures broker, for an initial £19m.

The consideration will be satisfied by the issue of 17.5m ordinary shares and 11.1m convertible, all of which will be retained by the vendors.

If in the year to March 31 1989, Babcock's pre-tax profits exceed the £3.4m made in 1987/88, further consideration will be payable subject to a maximum £28m. This is likely to be satisfied by the issue of new ordinary shares.

COMPANY NEWS IN BRIEF

ATA SELECTION group has purchased 83 per cent holding in Printing Equip Finance from Beckett Group for £250,000 cash.

BLUEBIRD TOYS, USM-quoted toy manufacturer, is investing £12.4m in establishing a factory in Merthyr, Wales. The factory will create 400 permanent and 200 seasonal jobs over three years.

BSG INTERNATIONAL has acquired a 49 per cent interest in Base Srl, a Turin-based company with a major share of the Italian child seat market. Consideration is L4.27bn (some £1.82m) of which L300m deferred until end next March. BSG has option to increase stake to 51 per cent after December 31 1991, and buy remaining 49 per cent after December 1994.

CANNON STREET Investments has agreed to acquire Leeds-based Nikkai Imports, importer of consumer electronic equipment, for an initial consideration of about £3.7m – £2.7m in cash to be paid on completion. This assumes Nikkai profits of about £1m in 1988. Further consideration up to £8.4m will be payable if aggregate profits to December 31 1991 exceed £6.8m. In 1987 Nikkai made pre-tax profits of £565,000.

ELLIS & EVERARD has paid an initial $5.5m cash for Pioneer Chemical, a Dallas-based commodity chemical distributor. There is a further performance related consideration of up to $3.6m. In 1987 Pioneer made pre-tax profits of $470,000, and for the first half of 1988 earned $388,000.

GREENE KING has acquired three prestige north London public houses for £3.25m cash. They are The George and The Hope and Anchor in Islington, and The Nelson in Wood Green.

MATTHEW HALL: acceptances received for 40m shares (51 per cent) and Amec has declared its ofer unconditional; total acceptances received for 44.69m shares.

ISOPAD INTERNATIONAL, heat-control equipment maker which joined the market in May, made pre-tax profits of £903,000 (£912,000) for the six months to July 31, on sales of £6.45m (£5.53m). Fully dilnted earnings per share 4.27p (5.42p) and interim dividend 1.5p.

KINGSTON OIL & Gas has entered a joint venture agreement with Greenland Petroleum, of Ohio, to begin the first phase of a drilling programme in Nobel County, Ohio. It has also acquired 100 per cent working interest in 19 Clinton formation wells from the CY Tung Group for $264,000.

NEWMAN TONKS is acquiring Dixie-Pacific Manufacturing for a maximum $6.1m cash; the initial payment will be $3.6m. Dixie makes architectural columns and specified millwork for the commercial construction sector, and was a division of Hobbs Indnstries. Annual sales are currently $8m and yield pre-tax profits of about 10 per cent.

T&N is buying Sutcliffe Rubber Company, which makes automotive rubber to metal bondings, rubber mouldings and rubber linings for plant and conveyor rollers, for £1.2m cash.

WATERGLADE International has formed a company to locate and manage development and investment properties in West Germany.

WICKES has sold Midland Joinery and Kesma in a management buyout for £1.88m cash. The companies make softwood doors and windows and do not form part of core operations.

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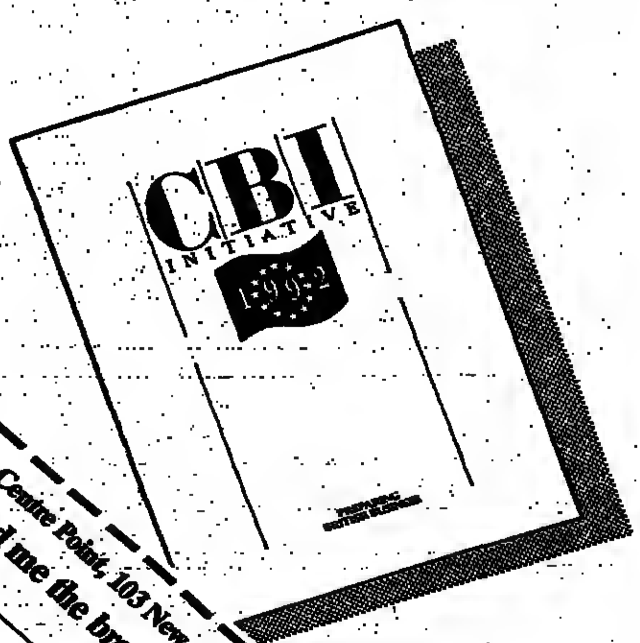

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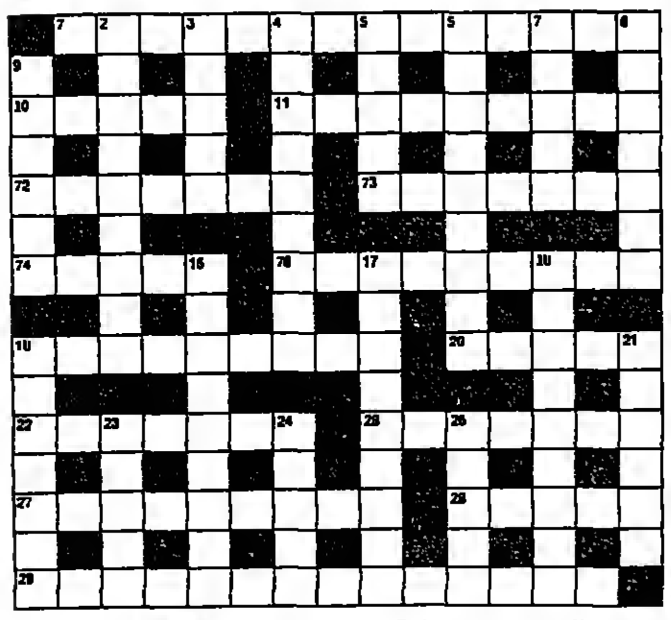


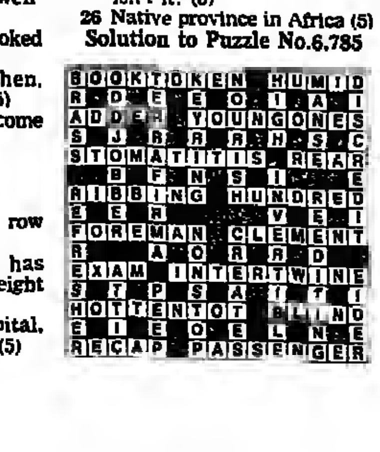
ACROSS

1 WW2 defender had dam all in favour (7-7)
10 Slip again? Not when this has been applied (5)
11 Nothing to eat with the mouth agape (4-5)
12 Ill-starred merchants (7)
13 The French-Greek, shortly established as a pouf (3-4)
14 See benefactor's name in the entrance (5)
16 Leading characters of Old Vic created extravagantly (9)
19 Obese pot Uncle Rex developed (9)
20 Frighten off treed bats (5)
22 Stretches – touching hurts (7)
25 Having ring around well-shaped leg (7)
27 This pasta's always cooked at eight. PS.... (9)
28 .....I eat a steak then, showing discernment (5)
29 After evolution they become neater handlers (14)

DOWN

2 TT = Tar Tinter? (9)
3 Peeled oranges set in a row (5)
4 Internal concretion has reduced volume and weight (4-5)
5 Inclination? Bow's capital, even after losing head (5)
6 Being a drug well formulated, it's a protector (9)
7 Speak out – there's nothing to reprove (5)
8 Volunteers in well known put down (7)
9 Having to be kept in, right in; that's what irritated (6)
15 Unbroken horses jog north of the border – riding over this way? (5-4)
17 Found the basil's cooked (9)
18 Parimutuel, malfunctioning, is a lottery – almost (9)
19 Polished screen I wax (7)
21 Steer runs to cow's mamilla (6)
23 A cove had one behind the cloth (5)
24 It's played back in Bharat isn't it? (5)
26 Native province in Africa (5)

Solution to Puzzle No.6,785



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	325.5	327.9	347.0	-6.0	3.13
Equity Acc	5	425.2	429.8	445.3	-7.8	3.15
Fixed Int Dist	5	118.7	120.3	124.7	-0.2	9.01
Fixed Int Acc	5	210.4	213.4	221.1	-0.3	9.02

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	92.72	93.57	99.5[illegible]	[illegible]	[illegible]
Do Accum	6	99.52	100.42	106.[illegible]	[illegible]	[illegible]
TSB Brit.Growth	6	53.07	53.71xd	57.14	[illegible]	[illegible]
Do Accum	6	55.53	56.20xd	59.7[illegible]	-0.48	[illegible]
TSB European	6	51.88	52.56	55.92	-0.56	[illegible]
Do Accum	6	53.29	53.99	57.4[illegible]	-0.56	[illegible]
TSB Extra Income	6	144.63	147.88	157.[illegible]	-1.46	[illegible]
Do Accum	6	186.68	190.09	203.[illegible]	-2.51	[illegible]
TSB Smaller Cos	6	53.29	55.35	58.[illegible]	-1.56	1.92
Do Accum	6	54.23	56.32	59.91	-1.58	1.92
TSB General	6	173.58	175.94	187.17	-1.42	[illegible]
Do Accum	6	300.46	304.56	324.00	-2.45	[illegible]
TSB Premier Income	5	47.51	47.96xd	49.96	-0.05	[illegible]
Do Accum	5	72.89	73.59xd	76.66	-0.08	[illegible]
TSB Income	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Do Accum	6	438.40	445.07	473.48	[illegible]	[illegible]
TSB Pacific	6	205.45	208.26	221.55	[illegible]	[illegible]
Do Accum	6	213.17	216.52	230.34	-1.01	0.40
TSB International	6	313.86	317.85xd	338.14	+1.61	0.89
Do Accum	6	396.63	401.66xd	427.30	+2.02	0.89
TSB Nat Resources	6	58.83	58.82xd	62.59	-2.00	1.41
Do Accum	6	62.38	62.35xd	66.33	-2.18	1.41
TSB Slctd Opps	6	78.22	79.93	85.03	+0.35	2.67
Do Accum	6	89.31	91.26	97.09	+0.40	2.67

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	59.37	59.37	63.44	-0.48	3.29
Australia	5	7.32b	7.32b	7.829	-0.15	0.10
Commodity	5	73.84	73.84	79.46	-1.19	0.62
Convertible	5	140.1	140.1xd	151.4	-0.9	5.05
Equity	5	152.1	152.1	164.1	-0.9	3.18
Euro Spec Sits	5	81.61	81.61	87.87	-0.75	1.35
Financial	5	29.92	29.92	32.45	-0.15	2.10
Global Opps Inc	5	54.42	54.42xd	58.71	-0.06	0.64
Global Opps Acc	5	54.42	54.42	58.71	-0.06	0.64
Gold Income	5	45.19	45.19xd	48.52	-0.48	0.00
Gold Acc	5	83.23	83.23	89.37	-1.10	0.00
Income	5	101.6	101.6	109.5	-0.6	4.63
Japan	5	123.5	123.5	133.1	-0.6	0.00
Pacific Inc	5	111.6	111.6	120.4	-0.8	0.06
Pacific Acc	5	138.4	138.4	149.6	-0.7	0.06
Preference Share	5	24.36	24.41xd	26.49	-0.08	7.61
Special Sits	5	91.96	91.95	99.10	-0.70	1.57
Technology	5	33.22	33.22	35.73	-0.25	2.12
UK Capital	5	88.19	88.19	94.80	-0.33	1.65
World Income	5	50.88	50.88xd	54.54	-0.06	3.05
Worldwide Capital	5	147.1	147.1	158.6	-1.2	2.97
Equity Exempt	5	118.1	118.1	127.6		2.18

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 31		211.95		4.70
Equity Oct 31		714.70		3.96
Fxd Int.Sec Oct 31		100.70		9.98

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	58.5	59.1		0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 9	38.0	39.5	-0.0	2.39
Euro Expt Nov 9	42.2	44.3	+0.0	2.52
Fixed Int Ex Nov 9	49.7	52.1	+0.0	9.7
Japan Expt Nov 9	53.7	55.8	+0.0	0.09
Managed Ex Nov 10	38.8	40.3xd	+0.0	4.71
SE Asia Expt Nov 9	35.0	36.7xd	+0.0	1.97
Sm Cos Expt Nov 9	43.7	45.8xd	+0.0	2.82
UK Eqty Ex Nov 3	35.7	37.4	+0.0	4.29

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3		

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co Fd(1)(2)	815.0	861.0		3.85
Do Accum	842.0	889.0		3.85
PDFM Int Expt Nov 10	123.0	125.2xd		2.70

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.66	94.73xd		2.92

INSURANCES

AA Friendly Society
Investment, Mngt. M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Nov 11		143.4		

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	259.4	273.1		
Equity Ser. 1	111.9	117.8	-2.5	
Prop. Acc. Ser 2	387.5	407.9		
Equity Ser 2	127.0	133.7	-2.8	
Selective Acc.	294.9	310.3	-3.0	
Prop. Ser. 4	307.8	324.1		
Equity Ser. 4	131.8	138.8	-2.1	
Fixed Int. Ser. 4	219.0	230.7		
Indexed Inv. Ser. 4	130.6	137.6	-0.4	
American Ser. 4	245.7	258.7	-1.3	
High Inc. Ser. 4	380.7	400.8	-0.1	

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	53.8	56.6	-0.3	-
Stock Market Mngd Fund	51.3	54.0	-0.3	-
Equity Fund	55.0	57.9	+0.3	-
International Fund	48.0	50.5	-0.3	-
European Fund	50.2	52.0	-0.2	-
North American Fund	42.5	44.7	-0.4	-
Pacific Fund	59.4	62.5	-0.3	-
Property Fund	67.4	70.9	-	-
Fixed Interest Fund	52.5	55.3	+0.1	-
Index linked Sec Fund	53.9	56.7	-	-
Deposit Fund	54.8	57.7	-	-
NUAM Retirement Plans				
Mixed Fund	57.0	60.0	-0.5	-
UK Ordinary Share Fd.	64.7	68.1	-1.0	-
International Fund	49.3	52.1	-0.1	-
Property Fund	65.6	69.1	-	-
Fixed Interest Fund	57.1	60.1	+0.3	-
Index Linked Sec Fund	55.2	58.1	-0.2	-
Deposit Fund	59.0	62.1	-	-
NUAM (NIF)				
Managed Fund	749.8	789.3	-4.1	-
Equity Fund	1486.6	1564.9	-13.3	-
Property Fund	424.5	446.9	+0.1	-
Fixed Interest Fund	391.9	412.6	+0.6	-
Deposit Fund	224.3	236.2	+0.2	-
International Fund	126.1	132.8	-0.6	-
Index Linked Sec Fund	54.6	57.5	-	-

Norwich Union Life Insurance Soc.

PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	107.99	113.67	-0.12	-
Managed Fd.	116.72	122.86	-0.98	-
UK Equity Fd.	119.76	126.06	-1.77	-
International Fd.	117.52	123.70	+0.35	-
European Fd	114.66	120.69	-0.99	-
North American Fd.	109.56	115.33	-1.13	-
Pacific Fd	115.12	121.18	+1.37	-

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

IoM AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

حكمة من الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99	Treas 11½pc 1989	99	.....	[illegible]	11.73
101	98	Treas 9½pc Cnv 1989	99	.....	[illegible]	11.47
97¼	95	Treas 3pc 1989	97¼xd	+	3.	9.15
102	99	Treas 10½pc 1989	99	–	10.	11.66
102	98	Exch. 10pc 1989	98	.....	10.1	11.64
103	99	Exch 11pc 1989	99	–	11.	11.43
97	94	Treas 5pc 1986–89	95	+	5.	9.59
104	98¾	Exch 10¼pcCv '89	99	.....	10.	10.79
107½	102	Treas 13pc 1990‡‡	102	–	12.	10.89
104	100	Exch 11pc 1990‡‡	100	+	10.	10.04
107	101	Exch. 12½pc 1990	102	+	12.	10.90
93	90	Treas. 3pc 1990	91	+	3.	9.06
99	95	Treas 8¼pc 1987–90‡‡	96	+	[illegible]	10.60
102	95	Treas. 8pc Cv 1990‡‡	98	.....	8.1	9.16
103	98	Treas. 10pcCv 1990	98	+	10.1	10.69
91	87	Exch 2½pc 1990	88	+	2.82	8.66
107¾	101	Treas 11¾pc 1991	102	+	11.52	10.63
95	90	Funding 5¾pc '87–91‡‡	91	+	6.28	9.83
90	86	Treas. 3pc 1991	87	+	3.42	8.54
105	98	Treas 10pc Cv '91‡‡	99	.....	10.01	10.04
107	100	Exch. 11pc 1991	101	+	10.85	10.44
98	92	Treas. 8pc 1991	93	+	8.54	10.45
113	105	Treas 12¾pc 1992‡‡	106	–	11.98	10.31
104	98	Treas 10pc 1992	99	+	10.09	10.29
98	92	Treas 8pc 1992‡‡	93	.....	8.57	10.33
106	99½	Treas 10½pc Cv 1992‡‡	100	+	10.44	10.28
86	82	Treas. 3pc 1992	84	+	3.58	8.31
112	104	Exch 12¼pc '92	105	+	11.58	10.33
117	108	Exch 13½pc 1992	109	+	12.	10.31
97	91	Treas 8¾pc 1993	93	–	8.	10.22
105	97	Treas 10pc 1993‡‡	99	+	10.	10.12
115	107	Treas 12½pc 1993‡‡	108	.....	11.	10.16
93	87	Funding 6pc 1993‡‡	87	+	[illegible]	9.12

Five to Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar steadier but nervous

HEAVY INTERVENTION by tha Bank of Japan in Tokyo enabled the US dollar to regain some of its composure in currency markets yesterday, having fallen to its lowest level this year against the Japanese yen on Friday. The Japanese central bank bought an estimated $500m in Tokyo, as the dollar threatened to break througb key snpport at Y122.50.

Early trading in Europe was subdued as a direct result of the Japanese intarvantion. Traders were also keen to gauge the mood of US markets, returning after a long weekend. In the event, there was little fresh impetus provided after the start of trading in New York. Comments by leading Japanese and US officials added conviction to the sentiment that the newly elected US Administration is playing for time, before addressing the problem of the twin budget and trade deficits.

In addition, institutional investors are wary of adopting exposed positions ahead of tomorrow's release of US trade figures for September. These are expected to show soma improvement over the August shortfall, but there is little incentive to take ont fresh positions until then.

The dollar rose to DM1.7445 from DM1.7340 and Y123.40 compared witb Y122.65, after modest intervention by the US Federal Reserva Board. Elsewhere, it finished at SFr1.4645 from SFr1.4550 and FFr5.9600 against FFr5.9275. On Bank of England figures, the dollar's exchange rate index rose from 93.5 to 94.0.

Sterling tended to track the fortunes of the dollar for most of the day. Its exchange rate index opened at 76.9, down from 77.0 on Friday and sbowed little change before closing at 77.1. Traders remain cautious on sterling's prospects, and most will be content to wait for the release of average earnings and retail prices for October later this week.

The pound slipped to $1.8085 from $1.8155, hut was firmer against the D-Mark at DM3.1550 against DM3.1475. It was also higher against the yen at Y223.25 from Y222.75. Elsewhare, it finishad at SFr2.6475 from SFr2.6425 and FFr10.7775 compared with FFr10.7600.

Intervention by the Bank of Japan has been in marked contrast to tha West German Bundesbank's lack of open market support for the dollar. Consequently, the yen failed to make much headway against the D-Mark, even though the yen's underlying trend remains bullish.

The D-Mark recovered from an early low of Y70.71, down from Y70.78 on Friday, and moved up to Y70.84 at midday. However, it closed below its best at 70.74

The Francb franc finished little changed from Friday's levels against the D-Mark. The West German unit opened at FFr3.4200, but soon slipped hack to FFr3.4165, where it closed. The franc was helped by the dollar's steadier tone, and also by a strong conviction that the Bank of France will intarvene to defend tha FFr3.4200 level.

Despite this, continned industrial unrest in France and the dollar's bearish undertone led aome dealers to suggest that the Bank of France may have to increase interest rates at some time, in order to restore confidence in the franc.

£ IN NEW YORK

Nov.14	Latest	Previous Close
£ Spot	1.8035-1.8040	1.8100-1.8110
1 month	0.50-0.49pm	n/a-n/a
3 months	1.43-1.41pm	n/a-n/a
12 months	4.80-4.70pm	n/a-n/a

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4251	+2.28	+0.81	±1.5344
Danish Krone	7.85212	8.00619	+1.96	+0.49	±1.5404
German D-Mark	2.05853	2.07180	+0.64	-0.83	±1.0981
French Franc	6.90403	7.07857	+2.53	+1.06	±1.3674
Dutch Guilder	2.31943	2.33682	+0.75	-0.72	±1.5012
Irish Punt	0.768411	0.775072	+0.87	-0.60	±1.6684
Italian Lira	1483.58	1543.66	+4.05	+3.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices below best

STERLING BASED futures reversed their earlier gains in yesterday's Liffe market, after an unexpected rise in UK retail sales in October. Short sterling prices finished with a net loss over Friday's closing levels, as cash rates edged up slightly in places. The most traded March contract surrendered early gains, which had pushed it to a high of 88.22, to finish at 88.08, down from 88.15 at the start and 88.14 on Friday.

Long gilt futures were also well below their best, but managed to show a small improvement on the day, finishing at 96-09 for December delivery, against 96-10 at the start and 96-06 previously.

US Treasury bond futures opened on a firmer note, helped by the dollar's early recovery. However, the trend was reversed later in the day, after confirmation that the US Treasury will hold a 30-year bond auction on Thursday.

A slightly firmer US Federal funds rate added to the softer tone during the afternoon, and the December price finished at 88-20, unchanged from the opening, but down from a high of 89-03.

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6842	0.6854	0.6838	0.6888
Mar	0.6920	0.6930	0.6915	0.6966
Jun	0.6995	-	0.6995	0.7050
Sep	0.7080	-	0.7080	0.7130

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	268.70	269.65	268.50	268.60
Mar	271.25	272.30	271.10	271.20
Jun	273.90	274.70	-	273.85
Sep	276.70	277.40	-	276.40

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 37,958

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Barclays Bank	12	● Hill Samuel	§12	Yorkshire Bank	12
Benchmark Bank PLC	12	C. Hoare & Co.	12		
Berliner Bank AG	12	Hongkong & Shangh	12		
Brit Bk of Mid East	12	● Leopold Joseph & Sons	12		
● Brown Shipley	12	Lloyds Bank	12		
Business Mtge Tst	12½	Meghraj Bank Ltd	12		
CL Bank Nederland	12	McDonnell Douglas Bnk	12½		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Baky Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Savewise 8.47%. Top Tier-£10,000+ instant access 11.06% § Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

Limited reaction

UK INTEREST rates failed to show much reaction to higher tban expected British retail sales in October. A rise of 1.9 p.c. contrasted sharply with expectations of a 0.6 p.c. increase. However, the retail sales figure is known for its month-to-month volatility, and the market seemed less than impressed by concern in some quarters that the rise in consumer demand could increase pressure for another rise in bank base rates.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

The key three-month interbank rate was quoted at 12⅛-12½ p.c. compared with 12⅜-12⅛ p.c., while the one year rate was marginally firmer at 12⅛-12 p.c. from 12⅛-11⅞ p.c. on Friday. Ovsrnight mouey opened at 11¾ p.c. and drifted off to finish around 5 p.c.

The Bank of England forecast a flat position. Factors affecting the market included bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills draining £836m, and banks' balances brought forward £70m below target. These were offset by Exchequer transactions, which added £425m, and a fall in the note circulation of £465m.

There was no interveution by the Bank during the morning or afternoon.

The West German Bundesbank announced terms for another sale and repurchase facility, with no minimum fixed rate. Sncccessful applicants receive their allocations today, a day earlier than usual owing to the holiday closure of West German markets tomorrow.

The agreement coincides with a maturing facility, which drains DM11.7bn. Short-term liquidity remains in plentiful supply, and the authorities are expected to effect a net drain hy not fully replacing the maturing facility.

Commercial banks' average deposits with the Bundesbank so far this month are running about DM5bn over the projected daily minimum reserve requirement of around DM54.5bn. Liquidity levels have been swollen by payment of Christmas bonuses, while commercial banks benefit from a rise in the rediscount quota with the Bundesbank.

In Amsterdam, tbe Dutch central bank introduced a two-month credit facility of Fl 3.6bn, replacing a maturing three-month arrangement. The change in maturity dates was regarded as a technical adjustment, designed to smooth the supply of money market liquidity at a time of major tax payment transfers.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON STOCK EXCHANGE

Equities rally from a weak opening

INDICATIONS THAT some action was being taken to check the fall in the US dollar helped UK equities yesterday avoid some of the blackest scenarios painted by analysts alarmed by Friday's heavy fall in New York stocks. Share prices were still showing net falls at the close of a ragged trading session, but final losses were only one third of those seen in early dealings.

London remained very nervous as a week featured by important economic data from both sides of the Atlantic opened with disappointing figures on UK retail sales and producer prices for last month. The major hurdle is expected to be tomorrow's announcement of the US trade statistics for September, but the week will also bring the latest data on UK earnings, unemployment, money supply and PSBR.

The session started badly after the UK weekend press had predicted serious repercussions in global markets to the dollar's slide and to the 47 point fall in the Dow Average on Friday. With other European bourses in sharp decline, London opened with a fall of 26 points on the FT-SE index scale.

However, the UK market quickly rallied behind a firmer dollar, itself reflecting both heavy currency intervention by the Bank of Japan and an assurance from President-elect George Bush that he will address the US budget deficits "early on" in his Presidency.

The recovery was sustained throughout the morning, despite a temporary blip on the announcement that UK retail sales had risen by 1.9 per cent, adjusted, in October; similarly set aside was news of a 0.5 pc rise in domestic output prices and a 0.7 pc fall in input prices for the same month.

A buying programme from a leading UK securities house encouraged the market, and share prices all but regained pre-weekend levels before a further reaction set in. This followed a disappointing opening on Wall Street which failed to rally after Friday's heavy setback.

At the close, the FT-SE Index was a net 8.4 down at 1794.3, having bounced between 1776.5 and 1800.9. Seaq volume fell sharply from Friday's 708.7m shares to 479.3m. Dealers described the session as "very difficult for traders", since share prices swayed violently on relatively thin business. FT-SE index traded options had their busiest day this year.

Market analysts regarded the session as reflecting a host of technical factors, with traders struggling to hold their books in balance ahead of the US trade figures. The domestic retail sales and producer price figures are "not encouraging for inflation or interest rates", commented the London office of Prudential-Bache. Nevertheless, Bill Smith, Prudential's equity strategist, believes thet UK equities may be moving into a cheap buying range.

Account Dealing Dates

*First Dealings:	Oct 31	Nov 14	Nov 28
Option Declarations:	Nov 10	Nov 24	Dec 8
Last Dealings:	Nov 11	Nov 25	Dec 9
Account Day:	Nov 21	Dec 5	Dec 19

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Nov. 14	Nov. 11	Nov. 10	Nov. 9	Nov. 8	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.37	88.33	88.53	88.49	88.69	90.28	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.28	97.20	97.28	97.34	97.39	95.20	98.67 (25/5)	94.14 (6/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1452.5	1461.2	1478.8	1479.8	1491.0	1325.8	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	178.6	178.2	178.4	173.8	174.8	288.2	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.86	4.79	4.73	4.73	4.70	4.66				
Earning Yld %(full)	12.19	12.04	11.91	11.90	11.82	11.51				
P/E Ratio(Net)(☆)	9.93	10.06	10.17	10.18	10.24	10.82				
SEAQ Bargains(5pm)	27,381	31,891	23,973	23,283	23,502	36,342				
Equity Turnover(£m)†	-	1486.99	1185.53	1135.17	991.45	1301.55				
Equity Bargains†	-	32,969	25,846	24,905	24,369	40,772				
Shares Traded (ml)†	-	632.4	487.2	490.4	376.1	657.3				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1438.4	1447.4	1453.7	1452.8	1454.2	1456.9	1455.3	1450.0

DAY'S HIGH 1457.8 DAY'S LOW 1438.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.84 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Nov. 11	Nov. 10
Gilt Edged Bargains	98.4	105.7
Equity Bargains	213.8	197.5
Equity Value	3005.6	2396.3
5-Day average		
Gilt Edged Bargains	105.9	110.4
Equity Bargains	171.5	180.0
Equity Value	2292.3	2236.7

● London Report and latest Share Index: Tel. 0898 123001

Property power struggle

The complex power struggle at Mountleigh took a dramatic turn when Mr Tony Clegg, the chairman, *sold his entire 12.5m* shares stake in the company to the predatory Galerias Consortium, a move swiftly followed by the resignation of Mr John Duggan, the chief executive, and Mr Clegg's opponent in a prolonged and apparently bitter boardroom clash.

Italian-based Galerias, controlled by SASEA, bought the stake at 200p a share, raising its overall interest in Mountleigh to 13.37 per cent. The consortium then made an official bid for Galerias Preciados, Mountleigh's loss-making Spanish department store chain. Mountleigh rose to 189p, before closing 10½ better at 184½p.

The consortium, backed by financiers Mr Florio Fiorini and Mr Giancarlo Parretti, wants only the Spanish subsidiary, but has threatened to buy Mountleigh outright if necessary.

Meanwhile, Mr Clegg's sale has confounded an already complex boardroom power struggle. Analysts said it was like a game of poker; "one player has handed in his chips, leaving the others to sort out allegiances".

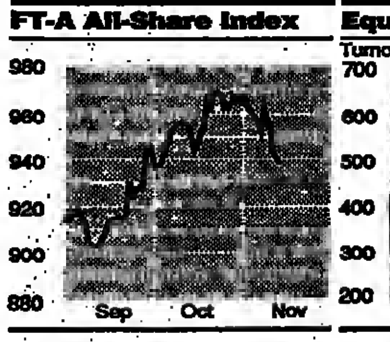
Surprise package

The re-listing of MB Group proved a major disappointment. Analysts had expected the shares to command a healthy premium on the suspension level of 273½p, but their hopes were soon dashed. Partly because of the general market weakness, marketmakers were cautious with their opening quotes and this caused anxiety among short-term holders.

Having been locked in for two weeks following the proposal to merge Metalbox Packaging with Carnaud SA which has yet to approved by shareholders, many opted to realise often substantial profits. The shares, which were trading around 205p early-September, dropped to 255p in heavy one-way traffic with a leading trader describing the market as "somewhat technical". Eventually they steadied to close at 260p ex-dividend, after turnover of 8.1m shares.

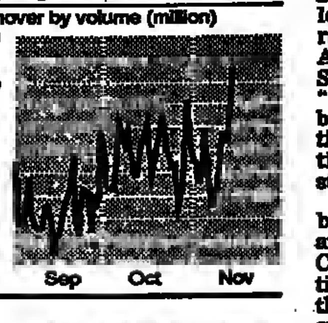
Residual worries about the European Commission inquiry and the apparent reluctance of some UK residents to hold French shares were other factors infinencing sentiment. Most analysts agreed at the end of the day, however, that MB shares were cheap and that the lowly rating could attract a predator.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Defeat for Abbey

Recent Press predictions that the proposed link-up between Lloyds Bank and Abbey Life would encounter sufficient opposition to defeat the proposals – the Abbey management needed 75 per cent approval – proved right as a late announcement from Abbey disclosed opposition from around 35 per cent of voters.

Abbey Life shares ended the day a net 4 lower at 274½p - they had been down as low as 273p at the outset of trading - after turnover of only 1.8m. Lloyds Bank were 3 down at 319p, having been down to 317p earlier, with only 735,000 shares changing hands.

Dealers expressed disappointment at the day's events. "Abbey has not had a bid approach, there are no nominees of note or potential suitors other than Lloyds," said one. He added that, "unless a predator moves in, the shares will probably fall".

The minimal fall in Lloyds was described by traders as *"entirely predictable, since the* blocking of the deal was already in the share price." Abbey will now consult shareholders "to see if there is another way forward."

International stocks generally recovered most of the ground lost in early trading, but there were notable exceptions. Glaxo crashed down 30 to 1030p in turnover of 1.2m shares, bearing the brunt of the market's fears about the weak dollar and its impact on earnings. Dealers reported sellers of Glaxo ADRs on Friday, but the shares also went ex-dividend to the tune of 18p net, exaggerating the negative impression. ICI gave a rather steadier appearance, falling just 12 to 1000p in good trade of 2.1m despite early selling.

Beecham went against the trend, rising 3 to 458p as 2.2m shares traded. There was favourable weekend press comment ahead of this week's figures. Fisons went ex-dividend and fell off slightly in late trading to close 4 down at 236p, while Reckitt & Colman also dropped for its dividend and ended 11 worse at 901p in thin turnover.

BOC reported impressive final results which were at the top end of expectations and the shares edged down to close at 414p after turnover of 2.8m. There were bullish reports from the post-results analysts meeting, including a company claim to have hedged its overseas earnings until September next year.

Unilever reported third quarter figures which caused little impact and inspired little trade as the shares fell 12 to 458p in turnover of 1.6m. Analysts were said to be generally cut*ting their full-year forecasts by* small amounts after a meeting which left them with little to report.

The oil and gas sector was given a severe buffeting along with the rest of the market, but picked up later in the session with the earlier heavy selling said to have been well absorbed. This week sees the start of a series of OPEC meetings, kicking off with the Pricing and Strategy Committee meeting on Thursday.

Shell, in particular, attracted keen interest and closed 9 higher at 974p after turnover of 2.4m shares, well up on recent levels; commenting on the recent third quarter figures Arthnr Hepher at Citicorp Scrimgeour Vickers says "OPEC will sort itself ont before long and in the meantime Shell is doing nicely. It's time to buy now while the stock is on the bottom."

BAT Industries began to stabilise after the weakness initiated by the recent changes in Californian insurance legislation. Nomura Research thinks the impact of Proposition 103 on BAT shares, only 3 off at 434p yesterday, has probably been exaggerated and that further downside scope from current levels looks limited given the lowly rating.

British Airways (165p) was another quality stock to resist the general malaise. The group is expected to reveal slightly lower first-half profits today – forecasts range from £215m to £225m – but Kitcat & Aitken issued a "look to buy on the interims" recommendation yesterday. Analysts believe BA is selling on the lowest earnings multiple and one of the highest yields in the sector.

Awaiting half-yearly trading statements, De La Rue (Tuesday) slipped 7 further to 443p and London International (Wednesday) lost 5 to 209p. Scott & Robertson responded to the Jefferson Smurfit holding with a rise of 20 to 230p. Granyte jumped 22 to 125p on the bid from McLeod Russel, 3 up at 113p.

Dealers were surprised by the resilient performance of the clearing banks which, Lloyds Bank apart, generally closed on a firm note. "There was hardly a buyer in sight first thing, but we've seen a strong rally in the sector, perhaps reflecting its defensive qualities and the prospect of high interest rates for some time to come," was the comment from one trader, although he continued, "only a couple of weeks ago fund managers were worrying about the impact of interest-bearing accounts, not to mention third world debt."

Life assurances drifted back awaiting the news from Abbey Life, but Sun Life moved against the overall trand, reversing an initial decline to 940p, when the shares were still upset by stories of e possible rights issue, and ending the session a fraction harder at 958p.

There was plenty of interest in brokers. Hogg Robinson Gardner Mountain spurted 7 to 156p amid talk of an imminent takeover bid – British Airways was mentioned as e possible bidder. Speculation that a management buy out is imminent saw PWS edge up 2 more to 151p.

A handful of excellent company reports failed to produce any fireworks in a building sector restrained by worries over prospects that interest rates will remain high for some time. Housebuilders, especially, were sold off at the outset before edging off the bottom later in the day.

Fairbriar, which revealed interim profits up from £2.31m to £6.25m, was only 2 higher at 195p. Building materials group Marshalls Halifax dipped 4 to 234p despite unveiling half-year pre-tax profits of £12.05m compared with £7.09m.

Dixons gained 2 to 141p after a day's high of 145p in turnover of 3.2m on news that Silo, its US retailing arm, was expanding its outlets. Elsewhere the stores were generally easier, despite the surprise official figures which showed that retail spending in October rose by 1.9 per cent after a decline of 0.8 per cent in September.

The electronics sector rode out the initial storm in resolute fashion ahead of a series of important trading reports. "There was rarely any major pressure in the top stocks," said one dealer.

Amstrad was among the worst performers, dipping 3¼ to 178p in turnover of 1.9m as the market reassessed the shares after the recent profits downgradings. Cable & Wireless, scheduled to announce interim results on Wednesday – the concensus figure is around £200m, including some £12m profit on the disposal of the Racal stake – fell to 363p before rallying to close only 2 off at 371p.

British Telecom performed extremely well and managed a minor gain on the day at 246½p. The turnover figure of 2m was regarded as very poor by traders. Telecom's interim numbers come out on Thursday; Warburg Securities expect pre-tax profits of £1.23bn, County goes for £1.225bn and Kleinwort Benson £1.22bn.

Plessey, reporting interims on the same day as Telecom – the range is £78m to £80m – settled e shade better at 167p after turnover of 2.2m. Racal drew good support and rose 2 to 285p.

Food issnes featured widespread short positions in Northern Foods, 2¼ better at 287½p. Dalgety fell 15 to 316p as its shares went ex-dividend, while Borthwicks rose 2 to 60p amid vague bid talk. Bassett Foods added 13 to 292p after favourable press comment on its brands.

Hotel issues were busy, with renewed speculation surrounding the future of Norfolk Capi*tal*, which rose 2 more to 37½p in persistently heavy turnover on talk of a bid. There were many potential predators mentioned, with Mount Charlotte given most credibility by dealers as its shares fell 2½ to 155p. Trustbouse Forte was well treded (4.5m) at 261p, while Qneens Moat eased e penny to 109p. Among Leisure issues, Wembley had a late run to close 7 better at 136p on talk that a deal might be in the offing after the recent abortive talks with Mountleigh.

Dowty was supported by news of the discussions with "a number of parties" regarding divestment of its mining division and industrial hydraulics business, excluding both Hydrojets and the interest in Norson Power. Other Motor issues, however, succumbed *and Lex Service*, hit by a couple of large sellers late on Friday, tumbled 19 to 349p amid currency worries.

With still no evidence of Bond Corporation increasing its stake yesterday, shares of Lonrho backtracked further to close 7 down at 390p.

Turnover in Traded options was dominated by the FT-SE 100 index, which reached its highest levels of the year - at 14,497 contracts on e matched basis struck shortly after the close, made up of 4,146 calls and 10,351 puts, and reaching 16,022 on an unmatched. Total turnover was boosted by the index trades to 44,007 contracts, comprised in 24,158 calls and 19,849 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	139	-2
Abbey Life	1,750	274½	-4
Allied-Lyons	2,050	458½	+1
Amstrad	1,900	178	-3½
Argyll Group	1,700	163	-2
[illegible]	[illegible]	[illegible]	[illegible]
BTR	1,500	287	-2
Barclays	2,300	486	+5
Bass	938	798	-5
Beazer	675	179	-2
Beecham	2,200	458	+3
Blue Arrow	1,200	87½	-1½
Blue Circle	873	438	-4
Boots	1,700	222½	-1½
British Airways	1,500	165	
Brit. Aerospace	2,500	469	-3
Brit & Comm.	1,500	234	-8
British Gas	4,100	162½	+½
British Land	796	344	+1
BP	5,200	246½	-½
British Telecom	2,000	246½	+½
Burmah Oil	529	514	-3
Burton	2,800	197	+1
Cable & Wireless	2,900	371	-2
Cadbury Schweppes	2,400	355	-4
Coats Viyella	2,100	168	-½

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	2,600	321½	-1
Cons. Gold Fields	351	£11⅛	
Costain	1,000	257	-1
Courtaulds	1,100	278	-2
[illegible]	[illegible]	[illegible]	[illegible]
General Elect.	4,300	171	-1
Glaxo	1,200	£10⅜	-⅛
Globe Inv	900	144½	-½
Glynwed Int.	910	302	+1½
Granada	426	328	-1
Grand Met.	2,200	435	-3½
GUS A	272	£10⅛	
GRE	1,700	171	-½
GKN	793	314	-3
Guinness	1,200	333	-1
Hammerson 'A'	587	648	-8
Hanson	4,500	148	-1½
Harrisons & Cros.	344	663	+5
Hawker Siddeley	564	544	+½
Hillsdown Hldgs	1,700	261	-½
IMI	996	204	-3
Imp. Chem.	2,100	£10	-⅛
Inchcape	765	210	-4
Jaguar	2,300	276	-3

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	1,700	438	-1
Land Securities	1,100	571	-3
Laporte	448	387	-2
Legal & General	1,155	285	-1
Lloyds Bank	735	319	-3
[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank	1,200	406	+4
Nat. West. Bank	2,300	534	+3
Next	2,500	164	+1
Northern Foods	313	287½	+2½
Pearson	260	704	+1
Pearl	122	432	-9
P&O	901	557	-5
Pilkington	2,700	219	+1
Plessey	2,200	167	+½
Prudential	2,200	153	
Racal	3,600	285	+2
Rank Org	530	725	-5
RMC	446	511	+1
RHM	579	356	-4
Reckitt & Colman	340	901	-2
Redland	599	417	-5
Reed International	3,410	399	+3
Reuters 'B'	1,200	478	-3
RTZ	1,200	447	+4
Rolls Royce	1,700	132½	-½

Stock	Volume 000's	Closing Price	Day's change
Rothmans	1,500	456	-7
Royal Bk of Scotland	1,000	342	+5
Royal Insurance	1,500	368	-½
STC	1,600	277	
Saatchi & Saatchi	802	352	-4
[illegible]	[illegible]	[illegible]	[illegible]
Standard Chartd.	1,270	469	+5
Storehouse	1,700	173	+1
Sun Alliance	435	£10⅛	-⅛
T&N	217	171½	-3½
TSB	998	110½	
Tarmac	1,300	238	-2
Tate & Lyle	364	850	-4
Tesco	2,000	131	-1
THORN EMI	1,000	650	-3
Trafalgar House	553	307½	-1½
Trusthouse Forte	4,500	261	
Ultramar	833	227	
Unilever	1,600	458	-12
United Biscuits	2,230	286	-1½
Utd Newspapers	243	397	-5
Wellcome	1,000	453	-3½
Whitbread 'A'	416	307	
Williams Hldgs	1,200	259	-5
Wimpey	1,400	243	-4½
Woolworth Hldgs	1,200	245	+2

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (21).

BANKS (1) Guinness Mahon, BREWERS (2) Vaux Grp., Wolv. & Dudley, BUILDINGS (4) Bailey (B.), Gleeson (M.J.), Newarthill, CHEMICALS (1) Schering AG, ELECTRICALS (2) Audio Fidelity, First Tech., FOODS (1) Bassett Foods, HOTELS (1) Norfolk Capital, INDUSTRIALS (4) Avdel, Fenner (J.H.), Senders & Sidney, Scott Robertson, INSURANCE (1) Taisho M EDR, NEWSPAPERS (1) Blenheim Exhibs, PROPERTY (1) Gt. Portland, SOUTH AFRICANS (1) Abercom, TRUSTS (2) Tranwood, Do. Wrrnts.

NEW LOWS (97).

AMERICANS (7) CANADIANS (1) BANKS (3) King & Shaxson, Rea Bros. Grp., CLF 8¼pc Cv. Pf., BUILDINGS (3) Bucknall Austin, Church (C.), Howard Hldgs., CHEMICALS (1) Hercules, STORES (5) Brown (N.), Dixons Cm. Rd. Pf., Pentos, Shani Grp., Specialeyes, ELECTRICALS (8) Bennett & Fountain, Cray Electronic, Domino Print. Sci., Kode Int'l., Motorola, Nokia Corp., Peak, Sound Diffusion 7¼pc Cv. Rd., Synapse Compa., FOODS (7) ASDA Grp., Argyll Grp., Barker & Dobson, Gateway Corp., Park Food, Ptarmigan Hldgs., Tesco, INDUSTRIALS (12) Aberfoyle Hldgs., Co. of Designers, Copymore, Pathfinders Grp., Pavion 11pc '94-2002, Pergamon, Sale Tilney, Shiloh, Tech. Project Serv., URS Int'l., Whittington, YRM, MOTORS (1) Spice, PAPERS (5) Brunning Grp., Filofax, Huntleigh... Osborne & Little, Peters (M.), PROPERTY (2) Rockfort Grp., Trust of Prop., TEXTILES (1) Beckham (A.), TRUSTS (10) OILS (8) Aberdeen Pet., Brit. Borneo, Century, Kingston Oil & Gas, Magnet Grp., New London Oil, Sandpiper Oil, Southwest Res., OVERSEAS TRADERS (1) Nesco Inns., MINES (8) East Rand Prp., Golconda Mins., Mawson Pacific, Nth. Kalgurli, Southern Res., Geevor, Butte Mining, Homestake Mining, THIRD MARKET (2) Amercosur Energy, Eglington Oil Wrrnts., UPL Grp.

APPOINTMENTS

Marketing director at British Airways

■ BRITISH AIRWAYS has appointed a new marketing director to replace Mr Jim Harris, who is retiring at the end of March, aged 60, *writes Michael Donne, Aerospace Correspondent.*

He is Mr Liam Strong, who is currently a senior executive with Reckitt and Colman, one of the leading UK food and groceries groups. Mr Strong, 43, will join the airline next January.

Mr Harris has been director of marketing for BA since 1982, and is retiring after 43 years with BA and its predecessor, British Overseas Airways Corporation, during which time he served in many senior positions at home and overseas.

Mr Liam Strong, who is to be marketing director of British Airways

■ LAMBETH HOWARTH GROUP has appointed Mr Alan Evans, financial controller, to the board of Lambert Howarth & Sons. Mr Philip Sunderland will take over as company secretary of Lambert Howarth from January 1. They will assume the responsibilities of Mr Malcolm Ferguson, finance director and company secretary, who will be leaving in January to become finance director of Piccadilly Radio.

■ NE TECHNOLOGY has appointed Mr Harry Hunter as sales and marketing director. He joins from Thorn EMI.

■ PYRAMID TECHNOLOGY has appointed Mr David Thornley as vice president of European operations. He was regional director for UK and Scandinavia.

■ Mr Vic Cocker has been appointed to the board of SEVERN-TRENT WATER. He is director of strategic planning.

■ Mr Hugh Holland has been appointed managing director of the HAMPTON GROUP, a subsidiary of Ketson. He was business development director of Ketson.

■ THE COOPER GROUP, BMW dealer and part of Tozer Kemsley & Millbourn (Holdings), has appointed Mr Allan Kelly as sales director.

■ AMDAHL (UK) has appointed Mr Trevor Lafferty as director of customer services. He was managing director of Nexel.

■ Mr John Parsons, immediate past president of the Building Employers Confederation, has become chairman of BEC BUILDING TRUST, which operates the Confederation's guarantee scheme for small building works.

■ Mr Paul Johnson has been appointed sales and marketing director, and his sister Ms Mandy Johnson becomes financial director of the family company TERRY JOHNSON.

■ AWD - formed from the former Bedford Truck and Bus business at Dunstable - has appointed Mr David Walker as manufacturing director.

■ THE NATIONAL HOME LOANS CORPORATION has appointed the following divisional directors: Mr Simon Kingdon, finance; Mr Alex Tan, corporate finance; and Mr Nigel Terrington, structured financing.

Willis Faber makes changes

■ Mr Roger J. Elliott, previously chairman of Willis Faber & Dumas, has taken over as chairman of WILLIS FABER on the retirement of Mr David Palmer. Mr Adrian Gregory, previously chairman of Willis Wrightson, becomes deputy chairman of Willis Faber responsible for the group's European activities. Mr Maurice Kershaw is made e group director and chairman of Willis Wrightson. Mr George Nixon becomes chief executive of Willis Wrightson, and Mr Robert Keville is appointed chairman of Willis Faber & Dumas.

■ UNION SQUARE, has appointed Mr Richard Thompson as an executive director.

■ Mr Robert Silver, deputy chairman of the MICHAEL PETERS GROUP, is joining the group full time, and is also selling his management consultancy business, R.J. Silver & Associates, to the group.

■ Mr Mike Parker has been appointed business affairs manager for RAILFREIGHT DISTRIBUTION, a new British Rail organisation which brings together Freightliner, Speedlink Distribution, and Railfreight International.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
27¼	20⅛	Texas Instr. $1	20⅜	−⅜	72c	—	2.1
70¾	43¼	Time Inc. $1	55¾	−2⅛	$1.00	—	1.1
21½	15⅞	Transamerica $1	17⅝	−⅛	$1.84	—	6.2
20¼	15¼	TRINOVA Corp.	13⅛	−⅛	64c	—	2.7
29	19⅛	USX $1	15½	.....	$1.40	—	5.4
24⅞	17⅝	Utd. Technologies	21¼	−¼	$1.60	—	4.3
34⅝	26¼	US West	31¼	−⅛	$3.52	—	6.6
24⅞	16⅞	Waste Management $1	21⅛	−⅛	48c	—	1.5
16⅞	12⅞	Whirlpool $1	13⅞	−½	$1.10	—	4.7
33⅞	18¼	Woolworth $3½	27⅞	−1	$1.64	—	3.5

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp	16⅝	−8	—	—	—
32p	11p	Abbot Energy Corp.	11p	−1	—	—	—
14¼	416p	Amer. Barrick Res.	971p	−17	—	—	—
10p	2½p	American Lightwave	3½p	−½	—	—	—
47p	7½p	Armeno.	9p	.....	—	—	—
76p	37p	Augmitto Explo.	43½p	−1	—	—	—
14⅞	10⅝	Bk. Montreal	12⅛	.....	$2.00	—	7.4
769p	514p	Bk. Nova Scot.	622p	−3	76c	—	5.6
18⅞	15¼	BCE	16⅛	−⅛	$2.44	—	6.6
716p	552p	Bow Valley	552p	.....	40c	—	3.3

BUILDING, TIMBER, ROADS—Contd

ELECTRICALS

ENGINEERING—Contd

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

BANKS, HP & LEASING

CHEMICALS, PLASTICS

FOOD, GROCERIES, ETC

Hire Purchase, Leasing, etc.

DRAPERY AND STORES

BEERS, WINES & SPIRITS

HOTELS AND CATERERS

INSURANCES

BUILDING, TIMBER, ROADS

INDUSTRIALS (Miscel.)

ENGINEERING

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
15½	7	Sonic Tape 2½p ..... γ	0½	....	–	–	–	11.2
27	18	Stats Hldgs. 5p ..... γ	20	-1	–	–	–	23.7
41½	24	Swanyard Studios 1p γ	31½	....	–	–	–	4
313	200	Takare ..... γ	313	....	b1.0	8.1	0.4	32.1
36	26	Tomorrows Leisure 20p γ	28	....	–	–	–	13.9
25	13½	Tullow Oil 10p ..... γ	20	+1	–	–	–	–
135	108	UPL Group 10p ..... γ	108	-5	L2.41	4.3	3.0	14.7
182	120	Unit Group ..... γ	145	....	5.0	2.9	4.6	8.2
125	85	Video Tape Rec 5p. γ	110xd	-½	2.5	♦	3.0	♦
13½	2	Wilton Group ..... γ	5¼xr	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ..... γ	71	.....
Craig & Rose £1 ..... γ	700	.....
Finlay Pkg. 5p ..... γ	85	.....
Holt (Jos) 25p ..... γ	£11½	.....

IRISH

Cap. 8½% Ln. 1991	$99⅝	.....
9pc Cap Ln. 1996	£103¼	.....
Fin. 13% 97/02	£124¼	.....
Arnotts ..... γ	370½xd	-4½
Carrol Inds ..... γ	165	.....
Grafton Grp ..... γ	145	.....
Hall (R. & H.)	150	.....
Heiton Hldgs ..... γ	56	+1
Irish Ropes ..... γ	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beechnm	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	10
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	13
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	40
Marks & Spencer	13
Midland Bk	13
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P. Paid)	12
Burmah Oil	40
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	35
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Nickel prices up sharply as LME stocks fall

By David Blackwell

NICKEL prices jumped yesterday as stocks in London Metal Exchange warehouses fell by 450 tonnes to 1,308 tonnes – just above the low of 1,302 tonnes of August 1982.

Metal for nearby delivery rose by $900 to $14,350 a tonne, the highest for three months. The tightness of supplies was reflected by the widening of the premium for cash metal over three months to $2,500 a tonne from $2,100 on Friday.

Some traders were paying a $130-a-tonne premium for cash metal for one day, according to Mr John Harris, analyst with Rudolph Wolff. The LME limit for any one day is $150 a tonne.

Mr Harris said that nickel which had been expected to be delivered to LME warehouses in Rotterdam had gone directly to consumers. Traders who had been caught short were paying the daily premium in the hope that metal would become available soon.

Meanwhile the stainless steel industry is continuing to run flat out. "People have to some extent misread the market," said Mr Harris. "There are suggestions that some consumers may find themselves short of nickel in December."

However, Mr Neil Buxton, analyst with Shearson Lehman, doubted that current prices would last long. He blamed supply tightness on producers holding onto metal while haggling over prices.

"The overall amount of material available is in rough balance, although this is against a background of very low stocks," he said.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	+475	to 33,700
Aluminium high grade	-2,975	to 100,775
Copper Grade A	-4,850	to 65,200
Lead	-1,700	to 57,725
Nickel	-450	to 1,308
Zinc	unchgd	at 22,425
Tin	-800	to 7,430
Silver (ozs)	+104,000	to 15,280,000

Iron ore chief quits as strike continues

By Chris Sherwell in Sydney

THE HEAD of BHP's iron ore operations in Western Australia resigned yesterday as a damaging strike entered its third week and ships began queueing offshore to await loadings.

BHP said Mr Gordon Freeman's position had been taken over by Mr Gavin McDonald, most recently general manager of its principal coal operations. He will head a newly-upgraded iron ore division of BHP-Utah, the group's minerals arm, reporting directly to its chief executive Mr Jim Curry.

Mr McDonald's first task will be to get some 2,400 striking workers back on their shifts at the vast Mt Newman mine and Port Hedland shipping point in the Pilbara region of Western Australia.

Unless this comes quickly, he faces the bigger problem of re-establishing the company's and the state's credibility as a dependable exporter of iron ore to Japan and Europe.

The workers voted at the weekend to stay out on strike until they received an assurance that the company would not ask salaried staff to do wage-earners' work. This was despite a return-to-work agreement negotiated last week with the help of the Government's Industrial Relations Commission.

BHP has already acknowledged that, as a direct result of the dispute, it will be unable to meet its contractual obligations to deliver 36m tonnes of iron ore over the year to May 1989. Yesterday it said three ships were now waiting offshore to load their cargoes.

The most recent loadings were completed a full ten days ago by salaried staff, which antagonised the unionised wage-earners. The company agreed to a commission request to withdraw them, but the issue has since assumed as much importance as the original heated dispute over changes to restrictive work practices.

Until yesterday's move, the company was moving closer to a position in which it could be forced to declare *force majeure* on its contracts – an embarrassing prospect at a time when the market for Mt Newman's iron ore lumps is tight because of strong world steel demand.

For Mr Freeman, whom the unions blame for the dispute, the turn of events is unfortunate. A former head of Rio Tinto Zinc's uranium operations in Namibia, he was on a short-term contract with BHP. He has now left the company before it expires.

Johnson Matthey sees platinum remaining firm

By David Blackwell

THE JAPANESE love affair with platinum remains the single most important feature of the market, according to Johnson Matthey's 1988 Interim Review, published today.

Japan's imports of platinum are expected to be about 35 per cent higher this year, with demand from industry and the jewellery and investment sectors flourishing. The metal has seemed particularly attractive given the strength of the yen against the dollar and the growing disposable income of the Japanese people.

Johnson Matthey puts world demand for platinum this year at 3.64m ounces, more than 300,000 ounces above the 1987 record. Total supply is estimated at 3.17m ounces, leaving a deficit of 465,000 ounces for 1988 – the fourth year running that demand has exceeded supply and well up on the record 1987 deficit of 230,000 ounces.

Global demand is dominated by the autocatalyst and jewellery sectors, which continue to absorb about two-thirds of primary metal supply, according to the review. It sees a bright future for the jewellery sector, especially now that platinum is being promoted in Western Europe as well as Japan.

The market for autocatalysts, used to clean car exhaust gases, is also making steady progress in Western Europe.

In addition, platinum is growing in popularity for small investment products with the launch of coins such as the Australian Koala and Canadian Maple Leaf. Johnson Matthey expects small investment products to account for 120,000 ounces this year, double the 1987 figure, and the trend is accelerating.

While growing demand provides an incentive for producers, "major growth in supply will take several years to achieve in South Africa, and no other nation can make a significant difference to the situation," says the review.

The supply deficit has led to stock cuts in Zurich and on the New York Mercantile Exchange, where they fell from 291,000 ounces at the turn of the year to 179,000 ounces at the end of September.

Johnson Matthey is confident that prices will remain above $500 an ounce, predicting that beyond the end of this year "above $500 could turn out to be conservative."

THE KOALA, Australia's platinum coin, passed its first year's sales target of 100,000 ounces within two months of its launch on September 20, according to Mr Don Mackay-Coghill, chief executive of GoldCorp Australia, which is marketing the coin, reports Reuter from Perth.

Zambian maize left to rot by the roadside

Nicholas Woodsworth explains why a bumper crop will just mean more wastage

ELEVEN YEARS ago Mr Alex Chikwanda, Zambia's then Minister of Agriculture, made a speech that in its self-criticism was, by the standards of any African Government, unusually severe.

"Zambians," he said "are second to none where rhetoric is concerned. It has become a kind of national fashion to be satisfied with meaningless resolutions. We don't do enough soul-searching to see what has gone wrong. We never attempt to revamp our hopeless administration and make it more conducive to efficiency."

The criticism might have applied to many spheres of Zambian activity, but Mr Chikwanda was referring specifically to the lack of organisation that had gone into the government-supervised collection of that year's harvest of maize – the staple food crop on which Zambia's 7m people depend.

Mr Chikwanda then went on to detail failings. They included inadequate planning; a slow pace of activity; a shortage of inputs such as jute bags for maize packing; too few trucks to transport the harvest; and not enough spare parts to keep the trucks running. The Minister concluded by praying that the coming rainy season would hold off long enough so that uncovered maize not yet transported to the depots would not be lost.

More than a decade later Mr Chikwanda's speech remains remarkable for its contemporary relevance. Despite the fact that the availability and price of maize is the most important single element in Zambia's domestic consumer economy, nearly a quarter of a century's experience since Zambian independence in 1964 has failed to eliminate gross mismanagement and waste. On average Zambia loses 23 per cent of each year's maize crop.

This year's performance has been particularly tragic.

Good climatic conditions and great efforts by peasant and commercial farmers have resulted in the production of about 1.25m tonnes of maize, nearly 50 per cent more than the largest crop previously harvested. And the state organisations responsible for its collection have been aware since April of the size of the harvest and of the risk of rain beginning in mid-October.

Nevertheless, efforts to collect maize harvested in June and July and sitting uncovered by the roadside have been sadly inadequate. By the beginning of November, at least 30 per cent of the harvest was still awaiting collection. Food aid and agricultural specialists from the donor community in Zambia now say that much of this maize will be lost as rains set in and the seed germinates, making it unstorable.

The difference between Zambia stocking a comfortable surplus well in excess its 900,000-tonne domestic requirement, and staving off famine with food aid as it did after last year's poor harvest, depends on some very basic requirements – bags to pack the maize in, tarpaulins to cover it, and trucks equipped with spare parts to transport it.

In an attempt to streamline operations, maize collection responsibilities have recently been transferred from the National Agricultural Marketing Board to the Zambian Co-operative Federation (ZCF). In principle, the state-run agricultural co-ops now raise funds through commercial bank loans to pay farmers for maize purchases, and to buy storage materials and the services of contract truck haulers. In practice, however, foreign exchange constraints and sheer mismanagement lead to breakdowns at successive points in the collection process.

While, for example, the Government originally imported sufficient bags for this year's maize crop, millions of them rotted in poor storage conditions, were diverted to other purposes, or simply disappeared from warehouses. Despite warnings from truckers and the national Commercial Farmer's Bureau that a lack of bags was dangerously delaying maize collection, a new consignment of 1.5m bags was distributed by the ZCF only 11 days before the haulage exercise was officially due to end on October 31.

Similarly, the provision of tarpaulins – used to cover bags of maize in the absence of more substantial storage facilities – was long neglected. It was only after uncovered maize was spoiled by rains in various parts of the country that that Mr Haswell Mwale, the Works and Supply Minister, secured 5,000 tarpaulins from Zimbabwe and Botswana in the last week of October.

Road haulage is the most serious problem of all. About 1,000 trucks are needed and all long-haul contract trucks in Zambia have been forbidden by law to leave the country in an attempt to marshall the maximum number. But truckers have resisted taking their vehicles onto remote and badly maintained roads where breakdowns are common and spare parts non-existent. The Ministry of Works and Supply had announced it was buying the ZCF 200 trucks to make up for the critical shortage. After many delays, however, it admitted in mid-October that it had failed to come up with the $8.4m in hard currency necessary to buy them.

Lack of foreign exchange is part of the explanation for the poor performance of the state. But agricultural experts from the international community agree that a lack of systematic planning, foresight, and co-ordination between various state bodies lies at the heart of the problem.

"The factors involved in maize collection remain the same year after year," said one development specialist. "Yet there is no basic long-term planning. Crisis management has become the accepted norm, and for some of those involved, a point of pride."

Maize remains a highly subsidised product in Zambia. Urban consumers have come to depend on its relative cheapness, and for political reasons the Government will continue to underwrite much of its cost, however wastefully it is collected. Western development agencies, on the other hand, believe that if subsidies and state control were lifted, free market incentives would be enough to make Zambia a net exporter.

While producer prices for maize have in fact risen in the past to encourage production, the Government's collection methods understandably give rise to some bewilderment as to what it actually wants from farmers. As a co-operative farmer from Central Province ruefully put it, "We just do not understand why we should be encouraged to grow more food when nobody cares to collect it or even cover it to protect it from the rains."

PRESIDENT KENNETH Kaunda proposed rationing maize meal in urban areas of Zambia to reduce high spending on food subsidies, reports Reuter from Lusaka.

The proposal, a sensitive political issue, was likely to please Zambia's Western donors as subsidies are a major cause of heavy annual budget deficits.

Under Mr Kaunda's plan each family would receive coupons to buy a specified monthly amount of maize meal at the subsidised price, currently 49.37 kwacha (£3.60) per 50 kg bag.

If they wanted to purchase more than their coupon allowance they would have to pay what Mr Kaunda described as "economic prices," reflecting the true costs of production, haulage and storage.

Maize meal subsidy payments swelled to £70m in the 1988 budget from £40m in the previous year.

Since food riots erupted in December 1986, when maize meal subsidies were removed under an International Monetary Fund (IMF) reform programme, Mr Kaunda has been cautious about tampering with the subsidies.

Cod price rally lifts spirits in Canadian fish industry

By David Owen, recently in St John's, Newfoundland

NORTH AMERICAN cod prices are rising again, ending an eight-month period during which they had slumped by 40 per cent and providing a much-needed fillip for Atlantic Canada's hard-pressed seafood industry.

After a buoyant 1987, Fishery Products International and National Sea Products have both experienced significant reductions in profitability this year. The (until recently) strong Canadian dollar has been a further dampener; Canada's two largest publicly-quoted seafood companies are both heavily dependent on the large and adjacent US market.

From US$2 a lb this time last year, prices for cod block – which act as an industry standard – plummeted to $1.25 a lb in the summer.

Unacceptably high price levels, together with lower prices for alternatives such as white meats and pork, were widely blamed for the extended bear run. The substitution of other species – particularly pollack – for cod in bottom-of-the-range seafood items is said to have exacerbated the situation.

Recently, however, cod block prices have edged up to a marginally more respectable $1.40 a lb, prompting optimism that further gains may be on the way. "I think that the market will settle at $1.50 to $1.75 a lb, says Mr Victor Young, St John's-based FPI's youthful but silver-haired chairman. "Everyone agrees that the price of cod went too high by as much as 25 cents," he adds.

Weary of the vicious cyclicality of the market place, FPI is redoubling efforts to insulate itself from the most extreme of the peaks and troughs. The financial damage to the company arising from the weak cod market would have been substantially greater, according to Mr Young, but for stable prices for flounder – which accounts for 30 to 35 per cent of the recently-privatised company's C$400m annual sales.

The company is scouting for acquisitions or joint venture opportunities in the remote Bering Sea off the coast of Alaska. The area – which has huge stocks of pollack, flatfish and black cod – is described by Mr Young as "the largest deep sea fishery in the world."

FPI is also striving to sell more of its output in processed form. Such sales have risen from 17 per cent to nearly 30 per cent of its total over the past two years. Mr Young is aiming to raise this to 35-40 per cent in due course. From a producer's viewpoint, the processed fish market has the virtue of being less volatile than that for raw fish.

In both these initiatives, FPI has moved more slowly than NSP and privately-held Clearwater Fine Foods, its two principal Nova Scotia-based rivals.

A year ago, NSP was already generating about 38 per cent of its sales from various upgraded products. Clearwater, meanwhile, has been on the acquisition trail since 1980, with the aim of securing stability through diversification.

FPI also wants to make better use of offal by breaking into the high-quality fish protein market. It recently signed a joint venture deal with Europro of France to build a C$12m fish protein hydrolysate plant at Marystown on Newfoundland's south coast.

"It changes the concept from a fishmeal plant that disposes of offal into a fish protein plant that is a profit centre in its own right," says Mr Young. The plant will produce a high-protein fish flour currently much in demand in the animal feed and aquaculture markets.

WORLD PRODUCTION of fishmeal this year is estimated at 3m tonnes, 2.5m tonnes, of which was exported, according to the Fishmeal Exporters' Organisation (FEO) and the International Association of Fishmeal Manufacturers, writes Veronica Baruffati in Lima.

The two bodies have just concluded an international meeting in El Pueblo, near the Peruvian capital.

Peru ranks second to Chile in South American fishmeal production, with 868,000 tonnes, or 43.9 per cent of the continent's output.

The need for the Peruvian industry to increase productivity is glaring, however. Its 106 private companies and 16 state-run Pescaperu operations produce less than Chile's 39 factories.

Mr Juan Rebaza Carpio, president of Pescaperu, was re-elected president of the FEO.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange aluminium market surrendered some more of its recent gains yesterday as sentiment was affected by the easier tone in copper. The cash high grade quotation, which last week reached an 11-week high of $2,600 a tonne, fell $117.50 to $2,422.50 a tonne.

Meanwhile the coffee market rally, which began in New York on Friday night, quickly ran out of steam. The London robusta market's January position traded up to £1,105 a tonne in the morning but closed unchanged at £1,092 a tonne. The market is awaiting developments from the producer/consumer talks on the future of the International Coffee Agreement which began in London yesterday. A US official warned that his country's participation in a new pact was in doubt because of "serious problems" with the current agreement.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.50-0.60x	-0.05
Brent Blend	$13.05-3.15x	+.025
W.T.I. (1 pm est)	$14.22-4.25x	+0.12

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	+1
Gas Oil	$125-126	
Heavy Fuel Oil	$61-62	+0.5
Naphtha	$131-133	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$421.0	+0.5
Silver (per troy oz)♣	639c	-5
Platinum (per troy oz)	$570.00	-10.35
Palladium (per troy oz)	$124.75	-0.75
Aluminium (free market)	$2460	-35
Copper (US Producer)	149⅝-159c	-4⅝
Lead (US Producer)	40¾c	
Nickel (free market)	640c	+45
Tin (European free market)	£4130	+5
Tin (Kuala Lumpur market)	19.67r	+0.08
Tin (New York)	344.5c	+1
Zinc (Euro. Prod. Price)	$1475	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	113.96p	+0.61*
Sheep (dead weight)†	169.49p	-3.12*
Pigs (live weight)†	80.31p	+1.51*
London daily sugar (raw)	$266.0w	-1.2
London daily sugar (white)	$274w	-4
Tate and Lyle export price	£256	-3
Barley (English feed)	£109.75	-0.25
Maize (US No. 3 yellow)	£125w	
Wheat (US Dark Northern)	£116.75w	
Rubber (spot)♥	53.00p	
Rubber (Dec)♥	59.50p	
Rubber (Jan)♥	60.25p	
Rubber (KL RSS No 1 Dec)	274.0m	-1.5
Coconut oil (Philippines)§	$560w	-15
Palm Oil (Malaysian)§	$410	-5
Copra (Philippines)§	$385	
Soyabeans (US)	$161.5	-1.5
Cotton "A" Index	59.25c	+0.50
Wooltops (64s Super)	630p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Oct. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. g-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	847	858	860 844
Mar	856	862	868 852
May	847	852	856 843
Jul	850	852	855 849
Sep	851	855	859 848
Dec	876	890	894 878
Mar	890	894	892 890

Turnover: 3286 (7038) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 11: 1091.02 (1078.65) 10 day average for Nov 12: 1055.17 (1044.32).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1074	1074	1086 1075
Jan	1092	1092	1105 1090
Mar	1095	1095	1110 1095
May	1100	1100	1112 1090
Jly	1105	1104	1115 1105
Sep	1110	1109	1120 1110
Nov	1110	1105	1120

Turnover: 3407 (3238) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 11: Comp. daily 114.63 (114.29); . 15 day average 113.63 (113.81).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	246.80	239.00	239.00
Mar	236.00	228.80	237.20 227.80
May	230.00	223.00	230.00 223.00
Aug	224.80	216.80	226.00 218.00
Oct	222.00	215.80	223.00 213.00

White	Close	Previous	High/Low
Dec	281.00	275.00	278.50 275.00
Mar	267.50	262.00	268.00 254.00
May	262.50	257.50	261.00 240.00
Aug	262.00	257.00	262.00 261.50
Oct	259.80	254.50	260.00

Turnover: Raw 3092 (969) lots of 50 tonnes. White 625 (677)
Paris- White (FFr per tonne): Dec 1670, Mar 1595, May 1570, Aug 1585, Oct 1555, Dec 1550

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	124.50	124.00	124.75 123.50
Jan	123.00	122.75	123.75 122.00
Feb	122.00	122.00	122.75 121.75
Mar	118.25	118.75	119.00 117.50
Apr	115.25	117.00	115.50 115.50
May	114.00	116.00	114.50 114.00
Jun	113.75	113.00	116.50 113.75

Turnover 2205 (2069) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	108.65	108.85	108.65
Jan	111.80	111.80	111.80 111.80
Mar	115.05	115.00	115.10 114.70
May	118.10	118.25	118.10

Barley	Close	Previous	High/Low
Nov	105.40	105.20	105.40 105.40
Jan	108.40	108.10	108.40 108.05
Mar	111.50	111.20	111.65 111.05
May	113.25	112.65	113.25 112.80

Turnover: Wheat 87 (189) . Barley 75 (60) . Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Feb	72.0	72.0	85.5 84.0
Apr	95.2	94.0	106.5 105.0
May	107.0	106.5	

Turnover 347 (125) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,175 tonne
Cash	2420-5	2535-45	2465/2460	2450-2		
3 months	2335-40	2430-3	2445/2325	2360-2	2320-5	19,597 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 4,150 tonne
Cash	1330-5	1365-95	1365/1300	1360-5		
Dec. 21	1285-90	1330-40	1310	1310-2		21,946 lots
Copper, Grade A (£ per tonne)						Ring turnover 47,800 tonne
Cash	1745-50	1748-53	1762/1760	1759-61		
3 months	1554-5	1552.5-3	1586/1555	1584-5	1562-3	67,466 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1670-90	1680-700		1680-700		
Jan. 4	1610-30	1610-30		1640-60		33 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	635-7	637-40		634-7		
3 months	648-50	650-3		648-51		440 lots
Lead (£ per tonne)						Ring turnover 6,700 tonne
Cash	376-8	376.5-8	378	378-8.5		
3 months	372-3	374-6	377/371	373.5-4	372-3	11,060 lots
Nickel ($ per tonne)						Ring turnover 1,650 tonne
Cash	14300-400	13400-500	14400/13900	14300-400		
3 months	11800-900	11300-400	11900/11600	11600-800	11800-900	5,958 lots
Zinc ($ per tonne)						Ring turnover 12,350 tonne
Cash	1500-5	1497-501	1510/1500	1506-8		
3 months	1418-20	1416-7	1435/1405	1418-21	1415-20	13,389 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	164.00	167.50	165.00 163.50
Feb	175.00	171.50	171.00 170.50
Apr	169.50	170.50	170.50 170.00

Turnover 130 (195) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1485	1438	1490 1475
Dec	1540	1530	1545 1539
Jan	1553	1541	1560 1550
Apr	1582	1575	1590 1581
Jul	1385	1380	1390 1385
BFI	1444	1434	

Turnover 384 (711)

TEA
There were 22,944 packages on offer including 3,000 offshore, reports the Tea Brokers Association. Good general demand with little change in price levels. Better liquoring assams were again well supported at firm rates while medium sorts remained about steady. Poorest descriptions continued a weak feature. Bangladesh teas met fair demand at slightly easier rates. Africans attracted good competition with medium kinds showing improved quality often dearer. Ceylons came to a strong market and were fully firm to 5p dearer. Offshore teas generally showed advances in price sometimes substantial. Quotations: quality 160p (165p), medium 108p (same), low medium 73p (same).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	420½-421	232½-233
Opening	421-421½	232¾-233¼
Morning fix	420.65	233.202
Afternoon fix	421.3	232.364
Day's high	421-421½	
Day's low	416¾-410¼	

Coins	$ price	£ equivalent
Mapleleaf	433-438	239½-242½
Britannia	433-438	239½-242½
US Eagle	433-438	239½-242½
Angel	431-436	238-241
Krugerrand	420-423	232-234
New Sov.	99-100	54¾-55½
Old Sov.	99-100	54¾-55½
Noble Plat	597.9-604.75	330.95-334.75

Silver fix	p/fine oz	US cts equiv
Spot	364.15	638.50
3 months	364.80	652.80
0 months	375.15	666.45
12 months	386.30	686.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2200	222	203	53	110
2300	161	154	90	164
2400	111	115	138	221

Copper (Grade A)	Calls		Puts	
2900	376	282	67	219
2800	250	199	139	329
3000	155	136	242	462

US MARKETS

IN THE metals, gold and silver prices edged higher as fund buying was featured late in the day, reports Drexel Burnham Lambert. Copper trading was less hectic than the previous days as prices gained 90 points for the day. Lower LME copper stocks and no further settlement with Peruvian copper miners kept trading uneasy. In the soft commoditites, coffee prices were down 152 in December as nervousness about the IOC meeting taking place was noted. December/March rollovers were also featured. Cocoa fell 15 in March as speculative selling was seen. Rollover activity was also heavy. Commodity funds supported the sugar market as prices advanced 38 points. The grain markets were weak throughout the day as rain in South America and weaker cash pricas prevented any rallies. Cotton prices lost 8 points as the market failed to break resistance levels early in the day. In the meat markets, prices gained in the hogs, cattle and bellies as trade and commission houses were both featured buyers. Crude oil moved higher to continue the firm tone established last week. News about a refiners strike in Brazil was noted.

New York

GOLD 100 troy oz.: $/troy oz.

	Close	Previous	High/Low	
Nov	423.9	421.5	425.0	423.0
Dec	425.2	423.1	426.6	420.9
Jan	427.7	425.6	0	0
Feb	429.9	427.8	431.6	425.3
Apr	435.1	433.0	436.0	431.0
Jun	440.3	438.2	441.6	435.7
Aug	446.0	443.9	0	0
Oct	451.7	449.6	0	0
Dec	457.3	455.2	459.0	453.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	576.5	581.6	583.5	572.5
Apr	572.7	577.9	580.0	568.0
Jul	573.5	578.7	0	0
Oct	576.0	581.2	579.5	579.5
Jan	580.5	585.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	641.6	638.8	0	0
Dec	644.5	641.8	647.5	637.5
Jan	649.3	646.0	646.0	645.0
Mar	659.7	656.9	662.0	653.0
May	669.8	666.9	672.0	665.0
Jul	680.3	677.3	680.5	675.5
Sep	690.6	687.5	693.5	687.0
Dec	706.0	703.2	709.0	701.0
Jan	711.6	708.3	0	0
Mar	722.6	720.0	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	143.00	143.20	142.80	142.50
Dec	136.00	135.10	136.80	134.30
Jan	129.30	128.10	0	0
Mar	115.00	114.10	116.10	113.90
May	109.50	106.10	109.50	106.00
Jul	107.00	105.60	107.50	105.70
Sep	104.80	103.10	104.00	103.20
Dec	102.70	101.00	103.00	101.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	14.16	13.95	14.27	14.00
Jan	14.06	13.87	14.10	13.92
Feb	14.02	13.83	14.10	13.90
Mar	14.02	13.87	14.10	13.95
Apr	14.09	13.90	14.15	14.00
May	14.11	13.93	14.12	13.96
Jun	14.10	13.96	14.20	14.10
Jul	14.18	13.98	14.20	14.12
Aug	14.20	14.02	14.24	14.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4425	4401	4466	4410
Jan	4405	4380	4440	4390
Feb	4330	4305	4360	4310
Mar	4135	4100	4145	4120
Apr	3925	3905	3945	3915
May	3640	3800	3840	3820
Aug	3868	3795	3869	3869

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1387	1410	1410	1392
Mar	1433	1448	1447	1427
May	1427	1437	1438	1419
Jul	1438	1445	1443	1432
Sep	1440	1449	1440	1440
Dec	1446	1460	1451	1440
Mar	1475	1492	1475	1475

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	127.27	128.79	128.40	126.60
Mar	127.60	128.85	128.60	127.00
May	126.60	127.98	127.60	126.25
Jul	126.13	126.75	126.50	125.75
Sep	125.75	125.90	0	0
Dec	124.11	125.00	125.00	124.55
Mar	126.00	124.37	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.03	9.93	10.00	10.00
Mar	10.46	10.08	10.50	10.04
May	10.12	9.82	10.22	9.80
Jul	10.00	9.67	10.04	9.67
Oct	9.84	9.56	9.92	9.58
Jan	8.92	8.81	0	0
Mar	9.50	9.23	9.50	9.30

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	55.83	55.96	56.20	55.70
Mar	56.75	56.72	57.06	56.45
May	56.80	56.95	57.20	56.60
Jul	56.90	57.05	57.30	56.85
Dec	56.60	57.06	57.00	56.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	183.45	183.50	184.00	182.70
Jan	170.65	171.20	171.70	170.40
Mar	169.50	169.80	170.30	169.10
May	169.45	169.50	170.00	169.10
Jul	169.50	170.05	170.50	169.50
Sep	166.95	166.95	0	0
Nov	162.95	162.95	0	0
Jan	160.95	160.95	0	0
Mar	160.85	160.85	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 11	Nov 10	mnth ago	yr ago
1868.7	1879.1	1858.2	1656.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.73	136.25	133.46	128.39
Futures	138.65	138.75	137.72	130.35

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	758/0	761/4	760/0	743/0
Jan	771/4	772/4	775/0	758/0
Mar	782/4	784/2	785/4	768/4
May	785/4	784/6	787/4	771/0
Jul	785/2	784/4	788/0	772/0
Aug	777/0	777/0	779/0	767/0
Sep	742/4	744/0	746/0	736/4
Nov	721/2	723/6	723/0	716/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.42	22.33	22.00	21.83
Jan	22.67	22.61	22.85	22.08
Mar	23.21	23.11	23.33	22.55
May	23.72	23.60	23.75	23.05
Jul	24.10	24.00	24.10	23.45
Aug	24.15	24.10	24.10	23.50
Sep	24.42	24.27	24.50	23.70
Oct	24.45	24.37	24.45	23.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	252.0	253.6	253.3	247.5
Jan	251.9	253.3	253.5	247.5
Mar	250.0	251.2	251.5	246.0
May	246.2	246.7	247.5	242.0
Jul	242.2	242.4	243.0	238.5
Aug	237.5	237.5	238.0	235.0
Sep	232.0	234.0	232.0	229.0
Oct	222.0	222.0	222.0	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	271/4	269/6	272/2	266/6
Mar	279/2	277/4	279/4	273/6
May	282/6	281/4	283/4	277/0
Jul	283/2	282/0	284/0	278/2
Sep	270/2	268/4	270/4	266/4
Dec	262/2	260/0	262/2	258/0
Mar	267/0	264/4	267/0	264/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	420/6	421/6	422/4	412/0
Mar	424/2	425/6	426/6	416/0
May	406/6	405/6	408/4	399/0
Jul	382/2	381/2	385/0	377/4
Sep	386/0	385/4	388/4	383/0
Dec	396/0	396/4	397/0	391/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.30	72.27	72.70	72.10
Feb	72.67	72.72	72.97	72.36
Apr	74.12	74.37	74.50	73.72
Jun	72.80	73.12	73.15	72.40
Aug	70.27	70.60	70.65	70.00
Sep	70.00	70.40	0	70.00
Oct	69.67	70.00	70.00	69.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.67	40.50	40.97	40.55
Feb	44.92	44.80	45.12	44.55
Apr	43.65	43.65	43.97	43.52
Jun	48.25	48.20	48.32	46.00
Jul	48.60	48.37	48.80	48.30
Aug	47.75	47.60	47.75	47.40
Oct	44.92	44.80	44.95	44.50
Dec	45.95	45.90	46.00	45.70

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.77	44.35	45.17	44.40
Mar	45.22	44.97	45.60	45.00
May	47.02	46.60	47.20	46.50
Jul	48.37	47.80	48.50	47.85
Aug	47.12	46.65	47.55	47.00

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices November 11

MONTREAL
Closing prices November 11

Total Sales 4,370,879 shares.

INDICES

NEW YORK — DOW JONES

	Nov 11	Nov 10	Nov 9	Nov 8	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2067.03	2114.69	2118.24	2127.49	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.94	89.99	90.01	90.24	91.25 (3/3)	86.12 (4/1)	—	—
Transport	909.38	923.55	925.36	927.62	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.56	185.22	184.03	186.28	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2107.04 (2132.82) Low 2063.48 (2103.33)

STANDARD AND POOR'S	Nov 11	Nov 10	Nov 9	Nov 8	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	267.92	273.69	273.33	275.15	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	308.11	315.00	314.61	316.75	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.98	25.14	25.12	25.25	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.24	154.09	153.92	154.84	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	291.48	294.63	294.04	294.76	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	373.76	378.40	377.74	378.84	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 21	Oct 14	Oct 7	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.60	3.54

	Nov 9	Nov 2	Oct 26	year ago (approx.)
S & P Industrial div. yield	3.19	3.09	3.07	3.31
S & P Indl. P/E ratio	12.60	13.52	13.65	16.39

TRADING ACTIVITY †Volume Millions	Nov 11	Nov 10	Nov 9
New York	136.500	128.920	153.140
Amex	7.102	8.687	8.249
OTC	109.676	105.327	110.396

NEW YORK	Nov 11	Nov 10	Nov 9
Issues Traded	1,927	1,940	1,936
Rises	288	706	465
Falls	1,238	661	944
Unchanged	401	573	527
New Highs	9	21	15
New Lows	32	36	36

CANADA — TORONTO

	Nov 11	Nov 10	Nov 9	Nov 8	1988 High	1988 Low
Metals & Minerals	2797.0	2832.8	2834.6	2846.7	3226.5 (5/7)	2238.7 (8/2)
Composite	3231.1	3259.3	3262.2	3278.2	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1591.33	1604.97	1603.42	1615.51	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Panhandle Pl	4,118,800	25½	—	Exxon	1,661,600	42¼	− 1⅛
RJR Nabisco	2,898,300	89⅞	− ⅛	Sears Roebuck	1,504,700	40⅜	− 1
Prime Computer	2,064,200	15¼	+ ⅜	BankAmerica	1,413,400	17¼	− ¼
Pac Gas & Elect	1,759,200	17½	− ⅛	AT&T	1,396,100	28⅞	− ⅜
General Electric	1,676,800	44½	− 1¼	IBM	1,385,100	116⅝	− 3⅛

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 14	Nov. 11	Nov. 10	Nov. 9	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1526.9	1558.2	1564.1	1564.4	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	728.8	744.5	752.0	749.3	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	220.60	223.40	224.40	224.70	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5323.9	(c)	5383.0	5376.40	5383.00 (10/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	240.39	241.62	243.81	244.29	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	724.4	728.1	728.7	730.5	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	390.4	(c)	395.6	397.2	397.2 (9/11)	251.3 (29/1)
Ind. Tendance(31/12/87)	149.7	(c)	152.2	152.4	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	518.17	518.25	524.33	530.32	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1566.10	1566.20	1583.6	1602.90	1641.60(27/10)	1207.9 (29/1)
DAX (30/12/87)	1261.84	1252.18	1263.34	1277.30	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2537.99	2583.74	2577.01	2582.98	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	575.09	591.58	591.61	593.43	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28520.90	28489.57	28166.42	28212.78	28520.90 (14/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2219.69	2212.62	2176.57	2170.51	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	270.7	272.8	275.9	279.0	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	234.9	235.8	239.9	244.5	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	418.49	419.04	420.12	421.48	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1002.65	1015.03	1014.12	1026.46	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1347.0§	1365.0	1380.0	1394.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1847.0§	1858.0	1863.0	1856.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	285.57	289.47	291.31	(c)	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3167.00	3213.40	3238.80	3253.40	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	566.5	568.3	573.0	577.9	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	479.0	476.3	474.9	479.0 (14/11)	401.0 (21/1)

**Saturday Nov. 12: Japan Nikkei (c) and TSE (c)
§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia. All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 14 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	22.2m	868	-3	Japan Line	11.2m	487	-5
Nippon Yusen	20.5m	888	-6	Showa Denko	10.7m	937	-3
NKK	20.0m	882	-2	Nippon Oil	9.7m	1,600	-60
Kawasaki Steel	18.2m	1,060	-20	Dowa Mining	9.5m	758	+13
Kobe Steel	11.8m	745	-10	MHI	9.5m	1,000	-10

3pm prices November 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	1.9	17	71	24¼	23⅞	23⅞	– ⅛
10¼	9	ACM e				76	9⅛	9	9⅛	
13⅛	10¼	ACMIn 1.26a		11.		369	11¼	11⅛	11⅛	– ⅛
10⅛	10	ACM M e				212	10⅛	10	10	
12⅛	10⅝	ACMSc s1.26		11.		553	11	10⅞	11	+ ⅛
10⅛	6⅞	ACMSp n1.01		11.		249	9⅛	9	9⅛	– ⅛
8⅛	3⅞	AM Intl				212	4⅞	4⅝	4⅞	
20⅛	18⅛	AM Intl pf	2	9.2		31	21⅝	21⅛	21⅝	+ ⅛
51¼	28⅞	AMR			6	3595	40	40⅛	40⅜	+ ⅛
27	25	ANR pf 2.67		10.		45	25⅞	25⅞	25⅞	+ ⅛
8½	5⅞	ARX			18	207	8⅞	5⅞	5⅞	
58¼	35¼	ASA	3a	7.6		331	39⅞	39¼	39⅝	+ ⅛
28¼	11	AVX	.12e	.7	12	189	17⅞	17	17⅞	+ ¼
52⅛	42¼	AbtLab 1.20		2.7	14	3206	45¼	44½	45¼	+ ⅛
21⅞	15⅛	Abitibi g	1			162	16⅛	16	16	– ⅛
16⅞	9	AcmeC	.40	3.6		93	6⅛	6	6	
8⅞	6⅛	AcmeE .32b		5.2	37	7	6⅛	6⅛	6⅛	– ⅛
29½	12¼	Acuson			21	615	22¼	21⅞	21⅞	– ½
17⅞	14⅛	AdaEx 2.06e		12.		332	16⅞	16⅝	16⅞	
19⅞	7¼	AMD			14	7238	8¼	7⅞	7⅞	– ⅛
43½	28¼	AMD pf	3	9.7		4	30⅞	30⅞	30⅞	
8½	4⅞	Adobe				121	8⅞	8¼	8⅞	+ ⅛
18½	16¼	Adob pf 1.84		11.		6	17	17	17	
21⅛	18⅛	Adob pf 2.40		12.		3	20⅛	20⅛	20⅛	
8¼	2⅞	Advest	.12	1.9	20	66	6½	6⅜	6⅜	– ⅛
62½	39½	AetnLf	2.76	5.8	9	1520	47⅞	47⅛	47⅞	+ ½
25⅛	20½	AflPb s	.20	.7		282	29⅛	28⅞	28½	– ⅛
16⅛	13	Ahmans	.88	5.6	9	1681	16⅞	16⅛	16⅛	+ ⅛
4⅛	1⅞	Aileen				47	5⅞	3⅞	3⅞	– ⅛
53⅞	30⅞	AirPrd	1.20	3.0	16	2376	40⅞	39⅞	39⅞	
18⅛	11⅛	AirbFrt	.26	3.3	16	36	18⅝	18⅛	18⅛	– ⅛
16⅛	6¼	Airgas			16	61	15⅛	15	15	
20	14½	Airlease 2.40		13.	9	60	18½	18	18⅛	+ ⅛
28⅞	22½	AlaP pf2.16e		8.7		26	24⅛	24⅛	24⅛	
[illegible]										

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(z). b-annual rate of dividend plus stock dividend. c-liquidating dividend. d-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 14

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

3pm prices November 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

FINANCIAL TIMES Tuesday November 15 1988

AMERICA

Early gains disappear as trade figures loom

Wall Street

EARLY gains disappeared and equities drifted lower as New York failed to recover any of the considerable ground lost last week, *writes Janet Bush in New York.*

The Dow Jones Industrial Average registered a gain of around 6 points in the first half hour of trading but then slipped back again to be quoted 0.53 points lower at 2,066.50 at 2pm. Volume was reasonably active with 104m shares traded by midsession.

A measure of relief that the slide in the dollar appeared to have halted for the time being was balanced by nervousness in the run-up to tomorrow's US trade figures for September.

Forecasters predict a deficit of \$9.5bn to \$10.5bn on a cost insurance freight basis, compared with \$12.2bn the previous month, with the underlying trend remaining at a shortfall of perhaps \$11bn to \$11.5bn a month.

The vulnerability of the dollar, which fell to within striking distance of post-war lows against the Japanese yen last week, gives these trade figures additional focus.

The Administration was finally goaded into commenting on dollar policy yesterday when Mr Marlin Fitzwater, White House spokesman, distanced the new president from Mr Martin Feldstein who, he said, was "not part of the administration."

It was Mr Feldstein, president of the Bureau of Economic Research, who last week contributed to the dollar's alarming slide by saying that the dollar needed to fall by 10 per cent to 20 per cent over the next three years in order to continue progress in cutting the trade deficit. Mr Feldstein has been a close adviser to Mr George Bush, the president elect.

Mr Nicholas Brady, expected to be named as US Treasury Secretary in the new administration having acted as caretaker for the job over the election campaign, also said that the administration remained committed to exchange market stability.

At yesterday's New York midsession, the dollar was quoted at Y123.50, around Y1 above earlier lows and Friday's prevailing level, and at DM1.7450 compared with a session low of DM1.7360.

Stock analysts were somewhat disappointed by the market's inability to claw back some ground after last week's substantial losses of more than 78 points on the Dow index.

Equity investors continued to worry about the potential for further weakness in the dollar, the trade balance and evidence in the last set of unemployment figures of considerable economic strength.

Among blue chip issues, International Business Machines added \$⅞ to \$117 by midsession yesterday. Merck was \$⅛ lower at \$55⅞ and General Electric slipped \$⅛ to \$44⅞.

Interco dropped \$1½ to \$66½ after an investor group headed by the Rales Brothers of Washington DC, threatened over the weekend to cancel its \$74 a share hostile takeover bid for the company if it failed to provide non-public financial information or to start acquisition talks by tomorrow.

Control Data dropped \$1½ to \$17⅞ after the company said it may record a fourth quarter loss which would nearly equal its earnings for the first three quarters.

Air Cargo Equipment added \$¾ to \$9 in over-the-counter trading after Omni Holding of Switzerland said it intended to sweeten its takeover offer to \$9.50 a share from \$8.50. This would outstrip an offer made by Zero Corp worth \$8.50 a share which has already received a favourable recommendation from Air Cargo's board.

Phonemate, also on the OTC market, added \$1⅛ to \$6 after Asahi of Japan, which owns about 2.2m of its shares, offered to buy the rest for \$6.50 each.

Canada

ONLY pipeline and utilities groups showed improvement in Toronto as share prices declined in sluggish trading. The composite index lost 5.90 to 3,225.20 at midsession with falls outpacing advances by 325 to 140 on a volume of 7.5m shares.

Total Petroleum gained C\$¼ to C\$24

ASIA PACIFIC

Return of confidence lifts Nikkei to another record

Tokyo

A NOTABLE return of investor confidence in equities helped share prices gain on a broad front and lifted the Nikkei index to a record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average rose to a new peak of 28,520.90, having opened even higher at 28,531.47. The low reached during the session was 28,402.48.

As is common on the first trading day of the week, volume fell to 582.4m shares from 942.7m on Friday. The TOPIX index of all listed shares gained 6.72 points to 2,219.89 and in later trading in London, the ISE/Nikkei 50 index added 1.07 to 1,791.99.

"The Tokyo market is yet again defying foreign expectations," said one salesman. The market managed to scale a new high in spite of the general assumption that it would not do so while the Japanese Emperor was on his deathbed, and in the face of considerable losses on Wall Street.

The strength of the Tokyo market yesterday was an indication of its resilience and a new-found confidence in its own ability to survive whatever weakness there was on Wall Street, the salesman added.

Analysts generally agree that the Tokyo market has a much more bullish tone. The recent shift from a very conspicuous concentration on designated market leaders, such as the large capital steels and property asset stocks, to a wider range of issues indicated that investors had regained confidence in equities to a significant degree.

Foreigners have also recently increased their buying activity, presumably on the realisation that they would do better to increase yen assets and scale down dollar assets.

Stocks that gained yesterday were largely those that have lagged and those bought for speculative reasons.

Buying focused largely on issues that have not risen since they posted high gains, particularly in those sectors representing domestic consumption. Ajinomoto, the largest integrated food processor in Japan, famous as the maker of monosodium glutamate, increased Y160 to Y2,760.

Kirin Brewery added Y70 to Y1,860 and Kao, a leading household products maker, rose Y50 to Y1,730. Sekisui House, Japan's largest homebuilder, gained Y50 to Y1,850.

Japan Air Lines and All Nippon Airways also advanced on the belief that the Japanese will increase their leisure activities. JAL rose Y200 to Y15,000 and ANA increased Y40 to Y1,800.

The volume leaders yesterday staged a mediocre performance. Nippon Steel, top in volume at 22.2m shares, dropped Y3 to Y868 while Nippon Yusen, second at 20.5m shares, lost Y5 to Y868. NKK, the third most actively traded issue at 20m shares, added only Y2 to Y882.

Among issues that rose on specific news, Nissan Construction, Nichii, the supermarket chain, and Hitachi Zosen, the shipbuilding company, all firmed after Nichii announced that it would purchase from the Hitachi Zosen group 36.7 per cent of outstanding shares in Nissan Construction at Y650 per share.

Nissan Construction advanced Y100 to Y827. Hitachi Zosen rose Y13 to Y594 before closing lower at Y571. Nichii increased Y40 to Y2,320. Interest in Nichii also followed a report by a government panel calling for the relaxation of regulations on large-scale retail stores.

Dai Nippon Toryo, the third largest paint maker in Japan, rose Y77 to Y957 amid rumours that it has developed a special paint that can be used for redevelopment projects along Tokyo's waterfront, a very popular market theme. It is also said that the company is being cornered by a speculative group. Such groups often buy shares to push the price of a targeted issue up and make huge profits in capital gains, or to greenmail the company to buy back their shares at inflated prices.

Trading in Osaka was buoyant as buying centred on laggards in domestic demand issues. The OSE average rose 113.49 to 26,057.40. Volume, however, was significantly lower at 50.9m compared with 80.4m on Friday. Nisshin Food Products in Osaka gained Y190 to 2,850.

Roundup

FRIDAY'S large fall on Wall Street weighed heavily on investors as the Asia Pacific markets reopened yesterday, and most indices closed sharply lower, in spite of the Nikkei's record high.

AUSTRALIA, with time over the weekend to digest the implications of Wall Street's 47-point fall on Friday, never recovered from a weak opening and, in spite of Tokyo's strength, all sectors closed well down on the day. The firmness of the Australian dollar and high domestic interest rates added to the bearish mood and by the end of trading the All Ordinaries index was 31.3 lower at 1,526.9 on turnover of 100m shares worth A\$184m.

"There was no panic," said one analyst, "but there was a lot of local and overseas selling, while buyers pulled back to find new levels." Industrial stocks were hardest hit, with News Corp down 30 cents at A\$10.10, FAI 25 cents off at A\$3.62 and Coles Myer 25 cents weaker at A\$10.00.

TNT dropped 28 cents to A\$4.62 after reporting first quarter results late on Friday which showed a rise in net profits of 15 per cent to A\$54.4m.

HONG KONG was another market weaker on the back of Wall Street's fall. With Tokyo's strength failing to stimulate buying interest, the Hang Seng index fell 45.75 to 2,737.99

Allied Properties went against the wider market trend, closing 5 cents higher at HK\$3.625 to maintain its recent momentum. Associated Hotels closed 2½ cents higher at HK\$2.425 after improved interim results.

SINGAPORE lacked buying interest and, with New York's weakness in mind, the Straits Times industrial index fell 12.38 to 1,002.85 in light turnover of just 13m shares.

TAIWAN continued its recent run of strength, with the weighted index breaking through the 6,900 level before late selling brought it back to close at 6,863.57, up 103.49.

EUROPE

Support for dollar helps pare equity losses

THE improvement in the dollar over the day and the positive opening on Wall Street helped reduce losses in those European markets that were still open, but most bourses still had a sad day in low volumes, *writes Our Markets Staff.*

FRANKFURT recovered from a weak opening to close higher on a late surge of buying prompted by international support for the beleagured dollar. "The midday fixing of the dollar in Frankfurt at over DM1.75 undoubtedly helped sentiment," said a dealer. At midsession the FAZ, down 0.8 at 518.7, reflected the early weakness, while at the close the DAX was 9.66 better at 1,262.84 on turnover worth a low DM2.3bn.

Chemical group Hoechst rose strongly throughout the day in anticipation of a sharp improvement in profits. The shares ended DM2.80 higher at DM291.30, and after trading Hoechst met the market's expectations with a 34 per cent rise in nine-month profits to DM2.96bn.

Siemens, the country's largest electronics group, climbed DM4.20 to DM473 as investors bought the stock before today's annual figures. Local analysts forecast that Siemens will report profits of about DM1.5bn.

Insurer Aachener und Münchener advanced DM2 to DM802 on the news that it and Italian insurer La Fondiaria had each acquired a 25 per cent plus one share stake in Volksfürsorge, the insurance company owned by West Germany's trade unions.

PARIS had double the trouble of other bourses given that it was closed on Friday, and caught up by dropping 2 per cent in morning trading.

Last week's losses on Wall Street and in the dollar affected most stocks, although volumes were low and trading was generally quiet. The upcoming release of the US trade figures, due tomorrow, and French inflation data, due on Thursday, also curtailed activity and the CAC General index fell 5.2 to 390.4. The OMF 50 index dropped 5.74 to 405.99.

Locks and security systems company Fichet-Bauche, a second line stock, was hardest hit, plummetting FFr104, or 9.7 per cent, to FFr970, on volume of about 5,400 shares. CCF, the third most active stock with 151,000 shares, lost FFr7.90 to FFr170.10.

Holding company Navigation Mixte fell FFr19 to FFr1,225 – with over 32,000 shares dealt – amid news that Abeille and a subsidiary had boosted their stakes to a total of 5.39 per cent, and Crédit Lyonnais had taken its stake to 5 per cent. The news was interpreted as meaning Navigation wanted to ward off a takeover or stake-building, said an analyst in Paris.

MILAN dropped almost 3 per cent with dealers worried by Friday's large fall on Wall Street and last week's dollar weakness. But sporadic late buying raised hopes of a rally later in the week. "We may see some cheap buying if the dollar shows signs of a recovery," said one London dealer. The Comit index closed 16.49 weaker at 575.09.

Among industrial blue-chips, Fiat dropped L330 to L9,940. Insurer La Fondiaria closed L1,690 weaker at L66,800 after acquiring a stake in German insurer Volksfürsorge. Reinsurer Ras fell L1,790 to L42,200 on lack of support after last week's buyer of large lines of the stock failed to reappear.

AMSTERDAM saw shares marked down in line with overseas markets. Although the dollar's steadiness over the day helped export-oriented stocks, the CBS all-share index closed 0.2 lower at 97.1 on light turnover.

Anglo-Dutch group Unilever's announcement of a 14 per cent jump in third quarter profits to £410m – above local analysts' forecasts – failed to stimulate demand for the stock, and the shares closed Fl 1.10 weaker at Fl 114.20.

MADRID closed before Wall Street's firm opening and the steady pick-up in the dollar, and so ended weaker on the day. The general index lost 3.90 to 285.57 with volumes on the low side again.

Banks led the way down, with Popular off 29 points at 1,876 per cent of nominal market value.

ZURICH was marked down across the board in early trading as dealers continued to adjust their positions. Little institutional or foreign selling was seen, according to one analyst.

Sentiment improved over the session in line with the dollar's improvement, cutting the day's losses, and the Crédit Suisse index fell 0.9 to 486.7.

Chemicals group Ciba-Geigy, which announced a \$20m investment in biotechnology company Chiron of San Francisco, saw its bearers ease SFr40 to SFr3,250.

BRUSSELS closed lower across the board as profit-taking set in after Wall Street's fall on Friday. The cash market index fell 52.5 to 5,323.9 in moderate trading.

Engineer Acec was among the biggest losers falling BFr42 to BFr666 amid speculation that it may have to be recapitalised after its parent, Société Générale de Belgique, announced it was putting cash into two troubled units.

STOCKHOLM was knocked by currency concerns, and the Affärsvärlden index lost 14.6 to 936.3 in low turnover. Some bargain-hunting was seen towards the close.

SOUTH AFRICA

GOLD shares closed lower as the gold price held steady at about \$420 an ounce. Vaal Reefs was down R2 at R277 and Southvaal eased R1 to R110. Financial minings were lower while industrials were mixed.

Privatisations prove to be a fillip

Judy Dempsey looks at the re-awakening of the Vienna bourse

Austria's bankers, institutional and small investors are holding their breath for the outcome of a crucial meeting taking place tomorrow morning.

The meeting involves Mr Ferdinand Lacina, the Austrian Finance Minister, Mr Robert Graf, the Minister for the Economy and Mr Walter Fremuth, chairman of the Verbund, the country's giant utility which supplies about half of Austria's electricity. The theme: the price at which the Verbund will be issued to the public for its partial privatisation on December 12.

The figure is expected to fall somewhere between Sch335 (\$27) and Sch375. The Verbund wants the price at around Sch350. The Government, bearing in mind its large budget deficit of Sch70bn, would prefer the top end of the range.

Whatever the price, the decision will end what amounted to one of the most sophisticated and almost certainly one of the most successful marketing campaigns ever aimed at expanding Austria's small capital markets – and at the same time, at attracting the shy, small investor.

The omens for the Verbund's listing look good, thanks largely to a steady recent rise in the bourse's index.

The Credit Aktien index, which last week slipped along with other world markets in reaction to the US presidential elections, has put on a strong 14 per cent since the start of August to reach about 223. Over the past few weeks, the index has risen steadily to new highs for the year and now stands well above the 1988 low of 163.98 seen in February.

The market's capitalisation has risen to more than Sch104.8bn, helped over the past month by the listing of a 20 per cent chunk, worth Sch520m, of Vorarlberger Kraftwerke AG, a small but profitable utilities company in western Austria. The sale of 49 per cent of the Verbund will boost liquidity by an additional Sch5bn.

Along with the new listings, several factors appear to be behind the re-awakening of the Vienna bourse.

One is renewed foreign buying in what was once considered a sleepy and dull stock exchange.

The increase in overseas demand is highlighted by the continuing sharp rise in Montana, the successful Austrian group specialising in financial services, mining and biochemical products. The stock has more than doubled since March, to Sch24,000 from Sch11,000. The jump, in which foreign investors have played no small part, is related to the favourable outcome of a court case and the underperformance of the shares.

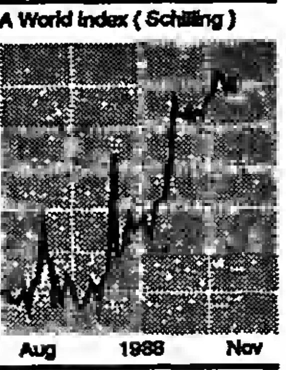
The size of the Verbund's foreign tranche shows the trend is continuing. About 2m of the 15.1m shares on offer have been allocated to foreign investors. The Government reserves the right, however, to claw back 500,000 shares if domestic demand requires it.

Second, a clutch of new listings has given the exchange a much needed fillip, thanks to the Government's plans to privatise chunks of state-run industry – although the state retains a 51 per cent stake.

Third, the new tax reform, passed earlier this year and coming into force on January 1, is expected to have an impact on the equity and capital markets.

Austria

FT-A World Index (Schilling)



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY NOVEMBER 11 1988					THURSDAY NOVEMBER 10 1988			DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	151.96	+1.0	124.09	118.40	4.30	150.51	124.24	118.73	152.51	91.16	94.85
Austria (17)	98.34	+0.7	80.31	88.76	2.42	97.66	80.61	89.15	98.34	83.72	90.77
Belgium (63)	134.26	+1.2	109.64	121.35	4.17	132.63	109.49	121.35	139.89	99.14	101.55
Canada (125)	116.60	+0.5	95.22	103.22	3.36	117.45	96.96	104.18	128.91	107.06	102.38
Denmark (39)	148.21	+0.0	121.03	135.21	2.23	148.16	122.30	136.83	148.99	111.42	110.52
Finland (26)	129.19	+1.9	105.50	111.89	1.50	126.76	104.63	110.96	139.53	106.78	—
France (130)	111.95	+1.3	91.42	102.09	3.28	110.46	91.18	104.09	111.95	72.77	83.21
West Germany (102)	85.67	+0.2	69.96	77.23	2.41	85.48	70.56	78.10	87.49	67.78	76.75
Hong Kong (46)	105.84	+0.3	86.43	106.10	4.77	105.50	87.09	105.77	111.86	84.90	84.90
Ireland (18)	131.20	+1.0	107.14	120.32	4.18	129.86	107.20	122.42	144.28	104.60	107.26
Italy (100)	86.73	+1.1	70.82	83.88	2.40	85.79	70.82	83.87	86.73	62.99	74.24
Japan (456)	182.95	+2.6	149.40	141.84	0.52	177.98	146.92	139.45	182.95	133.61	135.19
Malaysia (36)	139.69	+0.1	114.07	144.18	2.79	139.55	115.19	143.87	154.17	107.83	102.59
Mexico (13)	168.71	+1.7	137.77	421.49	1.29	165.83	136.89	414.64	180.07	90.07	193.69
Netherland (38)	109.57	-0.1	89.48	97.77	5.04	109.68	90.54	99.24	111.00	95.23	97.55
New Zealand (25)	74.25	+0.6	60.64	61.19	6.37	73.83	60.94	61.34	84.05	64.42	77.82
Norway (25)	122.20	-0.3	99.79	108.72	2.67	122.51	101.13	109.54	132.23	98.55	114.65
Singapore (26)	120.88	+0.4	98.72	109.32	2.48	120.41	99.40	109.20	135.89	97.99	97.57
South Africa (60)	123.66	+1.2	100.98	99.19	4.18	122.23	100.90	99.88	139.07	98.26	121.49
Spain (42)	152.36	+0.5	124.42	132.33	3.09	151.58	125.13	133.32	164.47	130.73	123.23
Sweden (35)	133.45	+0.2	108.98	119.57	2.39	133.19	109.94	120.62	133.58	96.92	98.30
Switzerland (56)	84.74	+0.3	69.20	76.44	2.21	84.47	69.73	77.35	86.75	74.13	82.87
United Kingdom (320)	137.47	+0.2	112.26	112.26	4.70	137.71	113.67	113.67	141.18	120.66	120.39
USA (577)	109.37	-2.0	89.32	109.37	3.70	111.62	92.14	111.55	113.55	99.19	101.00
Europe (1011)	114.86	+0.3	93.80	99.53	3.73	114.55	94.56	100.46	114.86	97.01	98.51
Pacific Basin (680)	178.61	+2.7	145.86	139.37	0.74	173.96	143.60	137.16	178.61	130.81	131.72
Euro-Pacific (1691)	153.12	+1.9	125.04	123.50	1.65	150.21	123.99	122.48	153.12	120.36	118.47
North America (702)	109.74	-1.9	89.62	109.01	3.68	111.91	92.38	111.18	116.07	99.78	101.07
Europe Ex. UK (691)	100.61	+0.6	82.17	91.81	2.96	99.98	82.54	92.42	100.61	80.27	84.93
Pacific Ex. Japan (224)	126.59	+0.7	103.38	108.33	4.42	125.70	103.77	108.41	128.27	87.51	89.88
World Ex. US (1889)	151.56	+1.9	123.77	122.71	1.72	148.80	122.83	121.77	151.56	120.26	117.99
World Ex. UK (2146)	135.18	+0.7	110.39	118.50	2.08	134.18	110.76	118.78	135.18	113.77	110.53
World Ex. So. Af (2406)	135.43	+0.7	110.60	118.31	2.30	134.55	111.07	118.41	135.43	113.26	111.33
World Ex. Japan (2010)	112.47	-1.0	91.85	105.90	3.74	113.59	93.77	107.49	115.54	100.00	100.01
The World Index (2466)	135.36	+0.7	110.54	118.18	2.32	134.48	111.01	118.28	135.36	113.37	111.40

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets closed on November 11: Belgium and France.

Latest prices were unavailable for this edition.